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FINANCIAL TIMES

Published in London and Frankfurt
No. 27,977 Friday, September 28 1979 ***20p

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CONTINENTAL SELLING PRICES: AUSTRIA Sch 10; BELGIUM Fr 25; DENMARK Kr 4.25; FRANCE F 3.5; GERMANY DM 2.0; ITALY L 700; NETHERLANDS Fl 2.0; NORWAY Kr 4.25; PORTUGAL Esc 25; SPAIN Ptas 80; SWEDEN Kr 3.75; SWITZERLAND Fr 2.0; EIRE 20p

NEWS SUMMARY

GENERAL BUSINESS

Rhodesia raid on guerrilla base

Zimbabwe Rhodesian security forces launched their first cross-border raid since the start of the London Constitutional Conference on September 10 when six and ground forces struck at a ZANLA base inside Mozambique.

An official communique said the raid was a "self defence operation". It was the second into Mozambique this month. Bridget Bloom writes: the Lancaster House conference is unlikely to reach agreement on a new constitution for an independent Zimbabwe before the middle of next week.

It became clear that the leaders of the three delegations will not meet in plenary session until early next week.

Talks were continuing with an official session between the Government and Bishop Muzorewa's delegation.

Liberals reject troops proposal

An attempt to commit the Liberal Party to fixing a date for the withdrawal of British troops from Northern Ireland and replacing them with a UN peace-keeping force, was defeated by a big majority at the party's Margate assembly.

Only Cyril Smith spoke strongly in favour of the proposal and called for a united Ireland and a new initiative in Ulster. Page 9; Politics Today, Page 19

Gracie Fields dies

Dame Gracie Fields, the mill-girl from Rochdale, who became a star at 32, in her home on Coppi, where she had lived for 30 years. Obituary, Page 17

ITV pay vote

The 6,000 members of the Association of Cinematograph, Television and Allied Technicians were advised to vote against independent television's offer of about 37 per cent over two years. Page 14

Ceausescu move

Romania's President Nicolae Ceausescu will be the only Warsaw Pact leader not attending next week's celebration of East Germany's 30th anniversary, apparently reflecting the widening rift between his country and the Soviet Union. Page 2

Fishing protest

Breton fishermen dumped lobster and crayfish into Roscoff harbour and boarded a cross-Channel ferry in protest at British regulations on shrimp boat nets. Page 31

Stevs probe

Director of Public Prosecutions has asked police to investigate a complaint that Norman St. John Steves, leader of the House, infringed electoral regulations by overspending by £1,000 in his campaign. Page 9

Animal outcry

RSPCA officials were called to Heathrow Airport when two men tried to fly to Kuwait with a consignment of racing pigeons, canaries and rabbits packed in tiny crates and cages with no water. The creatures were later loaded into taxis and taken into London.

Pope's flight

A jumbo jet named St. Patrick containing a bed, armchair, table and crucifix will take the Pope to Ireland and the U.S. The Boeing 747 flight will be coded Aer Lingus 1.

Briefly...

Taxi driver was murdered and a policeman wounded in shooting incidents in Spain's Basque region.

Banks plan European travellers' cheque

By Michael Lafferty and John Evans

A major realignment in the European travellers' cheque market appeared imminent last night.

After a meeting in Brussels yesterday, banks from 17 European countries agreed to negotiate with the aim of forming a unified European travellers' cheque organisation centred on Midland Bank's Thomas Cook banking and travel organisation.

Mr. David McWilliam, a senior Midland executive, said last night that the reorganisation could involve sale of the travellers' cheque division of Thomas Cook to a European banking consortium.

He stressed that negotiations were still at a very early stage, with a number of possible outcomes.

The Thomas Cook development has all the signs of an emerging battle for the \$31bn worldwide travellers' cheque market, at present dominated by the U.S.-originated systems of American Express, Bank of America and Citibank.

Last night American Express announced that three leading French banks—Crédit Lyonnais, Banque Nationale de Paris and Crédit Agricole—were in negotiation with it for joint issue of a uniform French franc travellers' cheque.

American Express said it was in negotiation with banks in other countries.

They eventually emerged as four major international travellers' cheque groups, with the European-aligned Thomas Cook consortium forming the strongest competition yet to the U.S.-dominated market.

This realignment also has deeper implications than the travellers' cheque business, senior bankers said last night.

It was seen as part of the realignment in international payments systems, in which the West German banks in particular have taken a notable anti-American stance.

The Germans, especially Deutsche Bank, have frequently argued for a European alternative to credit card systems like Visa, of which Bank of America and Barclays are leading members.

The Brussels announcement revealed that a large majority of banks and financial institutions from 17 European countries had decided to start detailed negotiations in November with Thomas Cook Bankers.

It went on: "Their objectives are to create a European travellers' cheque organisation open to all European banks, issuing in several currencies and under the full control of those European institutions."

It added that these aims would provide the "best possible service worldwide" for the banks' customers.

The eventual aim is to introduce a full, unified travellers' cheque system in Europe. Present national systems on the Continent have tended to be fragmented, or subordinated to American systems.

It is likely that the various systems devised by Thomas Cook, which already issues multi-currency cheques, will be employed as the basis for the planned European network.

This will include Cook's various computer and refund systems.

The end result will be a completely new travellers' cheque, replacing others run by the various participating banks, and to be called the "European travellers' cheque."

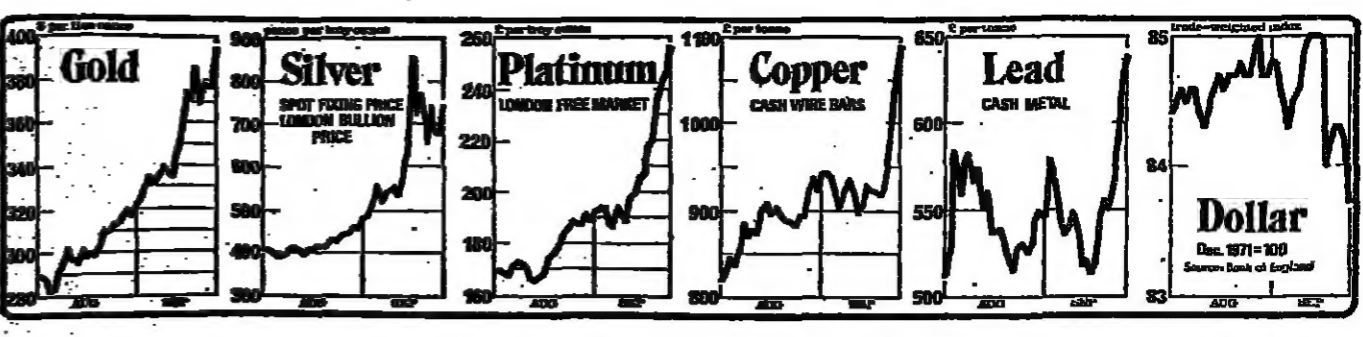
The growing competition for the cheque business has been marked in some countries recently by a waiving by banks of fees on issues. In the U.S. there has been a dispute over advertising standards in cross-selling for business.

Many banks rely for much of the profitability of their travellers' cheque operations on what is known as the money "float."

This represents the time lag between issue or sale of the cheques and their presentation and payment.

The funds temporarily unused in this period can be invested profitably by the issuing banks, particularly at the high returns now available in the U.S. dollar and sterling interbank money markets.

Officials at Midland Bank described the planned European cheque system as having the potential to become a "major worldwide force."



Gold leads upsurge in metal prices

By John Edwards, Commodities Editor

GOLD led a general upsurge in metal prices yesterday triggered off by the fall in the value of the dollar. On the London Bullion Market the spot quotation rose by 8.8p to 742p a troy ounce.

Trading at \$397 at one stage, in New York later it passed \$400 an ounce.

Main buying interest was reported to be coming from the U.S., especially during the afternoon when the dollar came under renewed pressure.

Other precious metals followed the upward trend in gold. Free market platinum, which has been a strong metal all this week, chalked up yet another record price. It rose in London by 8.8p to \$256.55 a troy ounce.

And the dollar price jumped from \$540 to \$565 reflecting the changed sterling/dollar parity rate.

Even palladium—a less important platinum group metal—rose by \$3.55 to a record price of \$73.25 (\$161.50) an ounce as speculators in New York bought any metal that they believed could provide protection against inflation and the declining value of paper money.

Silver was also back in favour after the violent price fluctuations last week. On the London Bullion Market the spot quotation rose by 8.8p to 742p a troy ounce at the morning fixing.

On the London Metal Exchange, copper prices rose to the highest levels for five years in hectic trading activity. Copper cash wirebars rose to over £1,100 one stage before closing at £1,090 a tonne, \$30 up on the day and £173 higher than a week ago.

Lead prices too continued to climb with cash lead gaining £10.75 to £338.75 a tonne, up £33.25 on the week.

The rise in the London copper market was helped by U.S. producers announcing substantial rises in domestic prices to more than \$1 a lb. The New York copper futures market was again swamped by speculative buying pushing prices to the permissible limit up.

However, it was noted that particularly in London there was continued selling by trade sources, who view the current market upsurge as a good opportunity to sell.

David Lascelles writes: Metal prices also surged ahead in early trading in New York rising in many cases to the maximum limits allowed in futures trading.

After spurring a record 11.35 cents to \$1.07 a pound on Wednesday, the spot copper price rose a further six cents on yesterday's opening. Futures also rose by the six cent limit and became, in market jargon, "locked up."

As a result, there was very little trading, although the market remained tense. Dealers were again uncertain of the cause for the buying pressure, although they attributed copper's strength to spill-over from the precious metals markets. With copper so strong, there is speculation that demand may now be spilling over into sugar where prices have also risen sharply in the past two days.

Precious metal prices also rose. By early afternoon, all the major platinum and silver futures contracts had moved up as much as permitted. Gold also gained following the record London fixing. The February 1980 futures contract surged \$15.40 to \$412 on the New York Commodity Exchange.

Thomson airline plans cheap scheduled fares

By Michael Donne, Aerospace Correspondent

BRITANNIA AIRWAYS, one of Britain's biggest independent airlines, and part of the international Thomson Organisation, is seeking to revolutionise the holiday air travel business by offering ultra-cheap scheduled fares on all its charter flights.

Savings to holiday-makers would amount to £100 on existing scheduled air fares on many air routes between the UK and Western Europe and the Mediterranean.

The plan could also drastically change the present structure of UK-European air routes by introducing scheduled services between places that have never had such flights before.

The essence of Britannia's plan is that it is not asking for any new routes—it flies holiday charters between over 20 UK points and more than 60 overseas destinations. What it wants is the right to offer on all those flights up to half of the seats at extremely cheap scheduled fares, from May 1 next year.

Passengers would be able to buy these seats on either a single or return basis, without being obliged to pay for accommodation as well, as is now the rule with package holidays.

Sales of scheduled tickets would be through all existing outlets, such as tour organisers and travel agents, or directly from the airline. Thomson Holidays brochures would probably also indicate that on any route either an all-in package holiday or just a cheap flight, would be available.

Continued on Back Page.

Dollar weaker again

By Nicholas Colchester

THE U.S. dollar had a poor day yesterday in a nervous foreign exchange market. It was fixed at DM 1.7438 in Frankfurt—its third lowest level ever and the lowest since President Carter announced his package to rescue the dollar last November.

The only major currency weaker than the dollar was the Japanese yen which closed at ¥223.40 to the dollar, down from ¥223.75 the previous night. Both currencies were affected by news and rumours of rises in the oil price.

Venezuela announced a 6.05 per cent rise in the price of its crude from October 1, and other oil producers were said to be considering similar moves.

The pound closed higher against the U.S. dollar at \$2.2852 against \$2.1885 the previous night. The talk of oil price rises helped it in the afternoon, but sterling nevertheless fell slightly against most European currencies. On a trade-weighted basis the pound rose from 82.7 to 83.1 on the Bank of England's index.

The dollar's weakness prompted a snarled from several central banks, including the Bank of England. But the amounts committed were not large.

The strength of sterling in London brought further rises in government stocks and there were sales of both the medium and long term for the first time, following the exhaustion of the short tap on Wednesday.

The Bank of England said a large amount of the £500m tranche of 12 per cent Treasury 1999-2002 stock was sold.

Money markets Page 27

£ in New York

	Sept. 28	Previous
Spot	\$2.1850-1975	\$2.1800-1618
1 month	0.48-0.44	0.56-0.50
3 months	0.52-0.47	0.59-0.53
12 months	0.55-0.52	0.46-0.30

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISERS	
Treas. 12pc 1983...	598½ + 1
Automated Security	237 + 7
BTR	340 + 13
Barclays Bank	442 + 7
Burton A.	288 + 8
Corn Exchange	302 + 15
Eastern Produce	91 + 6
Executex	37 + 4
Glaxo	480 + 10
GUS A.	406 + 12
Harris Queensway	300 + 12
Howden (A.)	93 + 8
ICI	367 + 6
IC Gas	555 + 17
Intl. Thomson	358 + 23
Jones and Shipman	150 + 13
Kwik-Fit	621 + 5
Ladbroke	155 + 7
Sandeman (George)	83 + 5
Clyde Petroleum	274 + 22
Anglo Amer. Crpn.	476 + 20
Blvvoor	465 + 65
Buffels	512 + 1
Grosvonts	277 + 37
Hampton Areas	265 + 20
Kloof Gold	510 + 11
Poseidon	82 + 10
President Steyn	513 + 11
Rustenburg Plat	130 + 34
West Drie	531 + 24
Western Deep	512 + 13
Western Holdings	234 + 24
FALLS	
APV	185 - 7
Appleyard	71 - 3
Assed. Book Publs.	265 - 37
BP	234 - 24
FC Finance	62 - 5
Marshall Cavendish	23 - 4
Wace Group	58 - 7
Wharf Mill	52 - 8

Sir Arthur Knight makes way for younger man at Courtaulds

By Rhys David

MR. CHRISTOPHER HOGG, a deputy chairman of Courtaulds is to take over as chairman and chief executive of the group from the end of the year on the retirement of Sir Arthur Knight.

Sir Arthur, who succeeded Lord Keston four years ago at the helm of Europe's biggest textile group, recently celebrated his 62nd birthday and under Courtaulds rules could have continued for several years more. He said yesterday he had felt for some time it was appropriate for a younger man to take over.

Mr. Hogg has had a spectacular rise within Courtaulds. At 43 he is one of the youngest men at the head of a major British company. Educated at Oxford and Harvard, his early business career was with Hill Samuel, the merchant bank, and the 1964 Wilson govern-

ment Industrial Reorganisation Corporation.

He moved to Courtaulds as a director of International Paint in 1963, joining the main board in 1973 and becoming one of three deputy chairmen last year. His current responsibilities cover Courtaulds's entire consumer products field including paint, packaging, garments and household textiles.

Before taking over as chairman on January 1, Mr. Hogg will assume the role of chief executive from Monday.

Sir Arthur played a major role in planning the diversification which took Courtaulds in the 1950s and 1960s away from its traditional fibre base. Since taking over as chairman he has piloted through major changes in the way the group is run.

The emphasis on vertically-grouped companies trading with each other has been lessened, and wider commercial freedom has been given to individual companies and managers.

The group as a whole has been reorganised into five major product groups to which the individual businesses report.

Mr. Hogg said yesterday that no major changes in the group's strategy or structure were foreseen. The major task ahead would be to manage the business, taking account of all the external circumstances facing textiles, so as to earn higher profits.

In the year ending March 31, Courtaulds reported pre-tax profits of \$54m on sales of £1.86bn. At the annual meeting in July, Sir Arthur said the immediate outlook was "less encouraging than we had anticipated," partly because of an overvalued sterling and limited prospects for demand.

Men and Matters Page 18

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EUROPEAN NEWS

Ceausescu declines to attend East German celebrations

BY LESLIE COLITT IN BERLIN

ROMANIA'S President and Communist Party chief, Mr. Nicolae Ceausescu, will be the only Warsaw Pact leader not to attend next week's gathering in East Berlin of Communist leaders to celebrate East Germany's 30th anniversary. The guest of honour is to be the Soviet leader, Mr. Leonid Brezhnev, and Mr. Ceausescu's absence is seen by East Europeans here to reflect the widening rift between Romania and the Soviet Union.

The independent Romanian Communists have refused to go along with Moscow's insistence that they increase their defence budget and integrate the Romanian army more closely into the Warsaw Pact. Mr. Brezhnev first raised these demands last November at a tense top level meeting of Warsaw Pact leaders in Moscow, when Mr. Ceausescu firmly rejected them. Since then he has demonstratively raised social spending instead of the military budget, and has said Romanian soldiers will never take orders from a foreign commander.

Romania will be represented in East Berlin by its Prime Minister, Mr. Ilie Verdeț, who is actually the third-ranking Romanian politician after President Ceausescu and his politically influential wife, Dr. Elena Ceausescu.

Every recent attempt has failed to bring the Romanians back into stride with the other Warsaw Pact members. In July the chief Romanian delegate to an ideological conference in East Berlin refused to endorse a Warsaw Pact declaration strongly attacking China.

The Romanians then barred East European motorists from entering the country because they could not pay for petrol with dollars. This conflict forced other East European countries, except East Germany, to permit their citizens to make detours through Yugoslavia, from where a record number decided to move to the West. Only Czechoslovakia, which has lost more than 600 of its citizens through escapes in recent months, has since agreed to make lump-sum hard-currency payments to Romania.

Irish ease credit squeeze

BY OUR DUBLIN CORRESPONDENT

THE IRISH Government, facing a combined onslaught from the banks, business, agriculture and its own backbenchers, is likely to ease in some extent the present severe credit squeeze.

No announcements are likely before tomorrow's meeting of the parliamentary party of the ruling Fianna Fail Party, but some efforts seem sure to be made to combat the restrictions on bridging finance for house purchases which the Irish banks have imposed.

This was a somewhat unexpected development after the Central Bank imposed severe restrictions when it became clear the banks would not keep to the 15 per cent target for credit expansion in the current year.

Agriculture is feeling the pinch too, with farmers unable to re-stock expensive land and the credit squeeze is being blamed in part for the collapse in cattle prices.

Paul Betts reports from Dublin on Irish preparations for the arrival tomorrow of Pope John Paul

Cloud of apprehension in the carnival atmosphere

IT NOW seems that all roads lead to Dublin. Wave after wave of pilgrims have been flowing into the city, which is awash with green-white-and-gold flags of the Republic flying alongside yellow-and-gold flags of the Vatican, for the arrival tomorrow of the first Pope ever to set foot on the island.

The mood is one of exultation of pride and of great expectation. Pictures of Pope John Paul II have appeared in public houses, on windows, even on T-shirts and in some cases on umbrellas. His three-day pastoral visit is expected to draw the largest crowds in Irish history.

But carnival atmosphere is matched by an equally profound feeling of apprehension, which has loomed over the visit since it was announced in July.

In formal terms, the visit will mark the climax of centenary celebrations at the Shrine of Knock, a small village in the poor countryside of Mayo, where the Virgin Mary is said to have appeared on August 21, 1879, at a time of famine, repression and homelessness.

Claimed apparitions were particularly common at that time throughout Europe. But the significance of the visit may lie elsewhere in view of the distressing background of political violence in Ireland, the conflicting aspirations of Catholics and Protestants, the shocking murder of Lord Mountbatten and the Warrenpoint atrocity.

Indeed, the real climax will undoubtedly be the appeal for peace and reconciliation and the unqualified denunciation of violence the Pope is expected to make tomorrow afternoon at Drogheda.

This is one of the closest points his itinerary will take him to the border with the North. Whatever the Pope says—and

perhaps what is more important, whatever people think he says—will inevitably assume deep political significance on both sides of the border.

Last Sunday, from his balcony overlooking St. Peter's Square in Rome, the Pope said he was confident his visit would serve the cause of peace and reconciliation in Ireland. Similar sentiments, shared with varying degrees of confidence, have been expressed by Irish church leaders, some Protestants in both North and South, and officials in both British and Irish Governments.

Equally, all the parties are aware of the minefields along the Pope's path in Ireland and the possible repercussions, distortions and misinterpretations his public statements could suffer.

Suspicious worsened

Already, his imminent presence in Ireland has exacerbated the old suspicions between North and South. Like everything concerning the Irish question, attitudes towards the Pope's visit have inevitably tended to polarise in political terms.

Viewed from the North, a highly vocal sector of the Protestant population sees the visit as endorsing the overwhelmingly Catholic Republic's claim of sovereignty over the northern province.

From the South, the visit will inevitably be seen by some as underscoring unification hopes. Indeed, the Pope has traditionally been for the Irish what Dr. Conor Cruise O'Brien, a former Dublin Cabinet Minister, once described as "the symbol and putative champion of the cause of Catholic people long oppressed and seen as not yet wholly liberated." The record shows, however, that it was a

Pope, albeit an English one, Adrian IV, who effectively ceded Ireland to King Henry II in the 12th century.

This urge for liberation is particularly pronounced among Catholics in the North, and explains the extensive decorations being put up in Catholic sectors to celebrate the Pope's visit, even though he is not going to the North.

As a Pole, Pope John Paul II comes from a church in a country where, like Ireland, Catholicism is seen to embody the spirit of national unity and where the church has defended for centuries the national culture and has inevitably clung to the Vatican for help in times of trouble. This fact has not been lost on Irish Catholics.

It was inevitable that the question of whether or not the Pope went to the North should have been blown up out of all proportion. But through a tragic twist of fate, the atrocities of recent weeks have avoided the problem. If the Pope had gone, it could have been construed by nationalists as a rebuff for loyalist demands for continued union with Britain, while had he, under different circumstances, not paid a symbolic visit to the North, it could equally have been regarded by Protestant unionists as a defeat of southern aspirations of reunification of the two parts of Ireland.

When the Papal visit was first announced, a trip to the North was seemingly not contemplated, even though the titular see of the Catholic church is in Armagh, in Northern Ireland. After a flurry of rumours and speculation (a feature marking the entire preparations, with various Catholic pressure groups feverishly lobbying), the Vatican issued in July a public



Holy water on tap for pilgrims to the shrine of the Virgin Mary at Knock which the Pope will visit.

denial, apparently prompted by the British Government. The Pope, it said, did in fact intend to visit the Northern Province.

For its part, the British Government had indicated to the Vatican that it did not oppose a visit to the North as long as there was full consultation and collaboration between the Holy See and Whitehall.

Last month, before the murder of Lord Mountbatten, there was renewed and insistent speculation that the Pope was contemplating a symbolic visit to the North. It seemed increasingly likely he would go, until the events of August 27.

Cardinal Tomás Ó'Fiaich, who was then in Rome leading a delegation of the Irish church hierarchy involved in the final arrangements for the visit, was reported saying he was absolutely convinced the Pope would have gone to Northern Ireland, although there had apparently been no serious consultations with the British Government.

Sad and regrettable as it may seem, British and Irish Government officials, and indeed the Vatican, appear relieved the Pope is not going to the north. In the wake of the Mountbatten murder and Warrenpoint, the British Government is understood to have indicated to the Vatican that its security forces were seriously concerned over an eventual Papal visit to Armagh, however brief.

While the British security forces apparently claimed that the Pope's personal safety posed no serious problems, they were particularly concerned that the occasion might be used by extremists of either side to stage some atrocity to publicise their respective campaigns.

In any event, security and crowd and traffic control for the Papal visit is expected to be the biggest operation of its kind ever mounted in the republic. It will be even bigger than that staged for President John Kennedy. The areas immediately surrounding the places at which the Pope will appear publicly have been defined high security zones, and only those officially accredited will be able to enter.

Some 8,000 members of the Garda police force will be on duty out of a total of 10,000. All leave has been cancelled for the three-day visit. Security will extend throughout the country, and will be especially tight along the border.

At the same time, the Pope

appears to have been under increasing pressure from his close advisers not to say some thing controversial or make a statement which could be misinterpreted and distorted.

Vatican diplomacy

In the past, Vatican diplomacy has traditionally been non-committal especially on delicate issues like the Irish question. This approach is unlikely to change. But the Pope's unique style, his showmanship and the pastoral conception he has of his role, which throws him in direct contact with enormous crowds in different countries, imply some risks which never occurred with the more formal and diplomatic style of his predecessor, Pope Paul IV.

But the risks are clearly calculated ones. Despite the extrovert, spontaneous outward impression he gives, the Pope with his long experience of complex church-state relations in Poland is regarded by many Vatican observers as extremely cautious and calculating.

In this sense, he is as much a pastoral as a political Pope—and indeed, perhaps one of the most political of Popes in the history of the Roman Catholic church.

He writes his own speeches, and he will clearly be weighed up all sides of the Irish situation in which he is known not

to be a great expert. In Poland, and in Mexico during the Latin American episcopal conference, he displayed some measure of diplomatic skill in situations which presented the church with major difficulties.

So far, he has always shown a firm inclination towards an evolutionary approach to problems rather than seeking confrontation. It would thus be fair to assume that he will adopt a similar line in Ireland. But wherever he has been since his election last October, his charismatic qualities have left a feeling of hope behind them.

During the past 48 hours, there has been increasing debate and discussion in Ireland whether the visit will have a healing or divisive effect.

In the meantime, workmen are busily putting the finishing touches to all the sites, from Phoenix Park in Dublin to Galway racecourse and Knock which will have to accommodate an unprecedented and spectacular number of people for a visit which will cost an estimated £4m.

At Knock, confessionals have been transformed into telephone booths to help the 2,500 journalists who will be following the three-day visit. As a catering exercise it will also break all Irish records. At Knock and Galway alone, 250,000 cups of tea and coffee are expected to be sold.

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Apel flying to Washington for talks on defence

BY ROGER BOYES IN BONN

WEST GERMANY'S Defence Minister, Herr Hans Apel, flies to Washington this weekend for a series of talks with U.S. leaders expected to deal with the thorny issues of the Airborne Warning and Control System (AWACS) and the size of Bonn's defence budget.

Herr Apel is to remain in the U.S. until next Wednesday. He will also discuss the prospects for a third Strategic Arms Limitation Treaty and the Vienna force reduction talks, during meetings with Mr. Harold Brown, Defence Secretary, and Mr. Zbigniew Brzezinski, the chief Presidential adviser on national security.

But the two main sticking points between the two countries—whose defence links are otherwise relatively healthy—will be the AWACS programme and Bonn's 1980 defence spending.

Herr Apel's visit comes about a week after he warned the U.S. that the AWACS scheme could be doomed unless Washington speeded up its compensatory orders to German industry.

West Germany and the U.S. agreed last year to shoulder nearly two-thirds of the costs of the \$1.5bn (£800m) programme aimed at creating an airborne radar "umbrella" over Western Europe, thus giving early warning of a Warsaw Pact attack.

But in return for Bonn's



Herr Hans Apel

large participation, the U.S. promised it would place orders for a new telephone system for U.S. forces in Germany and would buy about 9,000 vehicles from German manufacturers.

The orders have not materialised in full—only about 300 vehicles have been ordered—and the Christian Democrat opposition has threatened to block the DM 100m (£24.6m) set aside for the scheme in 1980 unless progress is made on the

offset element. This would effectively freeze the whole programme which provides for the purchase of 18 aircraft by the various NATO countries.

The U.S. has expressed its discontent about the size of the 1980 defence allocation. According to the West German Defence Ministry, Mr. Brown has sent Herr Apel a letter urging Bonn to ensure that defence spending would increase by a real 3 per cent, as agreed among the various NATO allies. The present allocation provides for a real increase of only 1.5 per cent.

The Defence Ministry has said that a greater allocation is not possible at present. It has also pointed out that defence sector investment has been raised by 31 per cent and that 7 per cent more is going towards weapons modernisation.

How far this will appease Washington is not clear. The U.S. has recently announced a real 8 per cent rise in its own defence budget and is under pressure to raise it even further.

Defence Ministry officials stress that these issues are no more than "irritations" in the otherwise strong relationship between Bonn and Washington on defence matters. The West German defence White Paper recently underlined that the U.S. nuclear deterrent was an irreplaceable element in European defence.

Shell to restart Rotterdam plants

By Charles Batchelor in Amsterdam

Plans by Royal Dutch/Shell to restart its strike-hit refinery and chemical plants at Rotterdam over the next few days, were announced by the company yesterday. The announcement came after more than 1,000 workers opposed to the strike streamed past pickets onto the site, as other workers forced back the gates and welded them open.

Earlier, Shell had called on the FNV union federation to allow people willing to work to enter the plant. The gates were opened 30 minutes after the shutting down operations were completed. The company believes enough men are willing to work to enable it to restart most, if not all, of the 80 different installations.

Unions in Britain, West Germany and Belgium have promised support for the FNV, whose members are on strike at Shell. These unions responded to an appeal for support made through the International Federation of Chemical Workers Unions (ICF) in Geneva, the FNV said.

The Association of Scientific, Technical and Managerial Staffs (ASTMS) in Britain is keeping a close watch on shipments made to Shell, while the Belgian unions have said they will ensure the company's plants there do not make extra deliveries or increase output.

After workers at the Albairon-UKF fertiliser plant decided to turn tools on Wednesday, the strike extended no further yesterday, and the Chemical Industry Association said that so far, only AR2's salt chemicals division had been affected by shortages.

The FNV has made the preparations required in law to call strikes at a number of other chemical companies, notably ICI, Cyanamid and Tioxide. But it plans initially to limit the extent of the stoppages.

"Very few people are affected by the strikes," an FNV spokesman said. "We can easily pay them from strike funds and this will allow us to keep the action going for a long time."

EUROPEAN PARLIAMENT'S BID FOR POWER

Cuts in farm spending demanded

BY MARGARET VAN HATTEM IN STRASSBOURG

THE EUROPEAN Parliament yesterday launched its first bid for more power since the direct elections in June. It demanded that the nine Governments of the European Community should cut back next year's farm spending.

Mr. Pieter Dankert (Soc., Netherlands) rapporteur for the Parliament's influential budget committee, said that if the Governments failed to respond the Parliament might try to impose its own cuts or throw out the entire draft budget for 1980.

Although this was only the first parliamentary debate on the 1980 budget, a row appears inevitable between Community institutions and within the Parliament's political groups.

A rift has already emerged

within the British Conservative group on the question of aid for the Community's poorer regions. The large Christian Democrat block appears uncertain about whether to put the Parliament's constitutional interests before those of its own traditional supporters in the farm sector.

The row has been precipitated by two council decisions earlier this year—the June farm price settlement in which Farm Ministers boosted 1980 budget estimates by over 1bn units of account and the Finance Minister's decision earlier this month to slash a corresponding sum from regional, social, energy, transport and overseas aid policies.

Mr. Christopher Tugendhat, the budget Commissioner,

strongly attacked the decisions and urged EEC Finance Ministers to intervene directly in future farm price decisions so as to curb farm spending.

Mr. Dankert hinted at a more radical strategy which several MPs are putting forward privately. Their idea is that the Parliament should propose its own cuts in so-called "obligatory spending" (mainly farm spending). It supported in Parliament by a simple majority, this would require a qualified majority in the Council of Ministers to be overruled. Britain and Italy, for example, could together block such a move.

Until now, the Parliament has accepted that it has little control over obligatory spending, which accounts for more than three-quarters of the budget. But the Council of Ministers, by

limiting its cuts carefully, has left the Parliament less room for manoeuvre than ever before.

That, said Mr. Dankert, was a challenge the Parliament could not ignore. "Are we to see the budgetary powers we fought for taken away so soon after the election campaign," he asked. "If this Parliament is really going to be different from the last one, we must win the budget issue."

The issues poses particular difficulty for Britain's Tories. Many are reluctant to press for an increase in spending on the Community's poorer regions when their Government in London has cut back its own regional spending. But the EEC regional policy is the only one under which Britain receives a major share of spending.

Spain Socialists likely to toe Gonzalez line

BY ROBERT GRAHAM IN MADRID

AN EXTRAORDINARY congress of the Spanish Socialist party opens here today to decide whether to endorse the moderate pragmatic line of Sr. Felipe Gonzalez, its former secretary-general. All the indications are that it will back the Gonzalez line and re-elect him as leader of the party, the second largest in Spain.

The party's 28th congress in May broke up in confusion when Sr. Gonzalez unexpectedly quit the leadership after delegates had voted to adopt an uncompromising Marxist ideology.

The resolution's promoters never intended Sr. Gonzalez to resign. They wanted to remind the leadership that it was moving too close to an unacceptable line of social democracy.

Sr. Gonzalez' shock tactics appear to have paid off. He emerged from the congress with enhanced personal prestige and has since established himself further as the sole possible candidate for party leadership.

With his personal position undisputed, it has been a question of how to arrange a more moderate line.

The principal method has been a fairly ruthless use of the party apparatus by Sr. Gonzalez and his chief henchman, Sr. Alfonso Guerra. The power of the Marxist dissidents has been emasculated through the skilful organisation of the delegations to the congress.

By assuring themselves control of the majority of the delegations, Sr. Gonzalez and his allies have staked out the congress well in advance. It is estimated that Sr. Gonzalez has tied up 70-75 per cent of the vote.

The critical wing of the party has protested about this procedure but to no great effect. The dissidents, too, are aware that the party cannot afford to continue publicly divided.

Although S. Gonzalez is expected to triumph, the damage done to the party by his forcing the issue in May will take time to heal. He, on the other hand, justifies his action, arguing that the Socialists must prepare for the elections of 1983, and to do so it would have a Marxist label this it would be political hanging round the party's neck.

Russia, China to alternate talks

BY DAVID SATTER IN MOSCOW

THE SOVIET Union and China announced agreement yesterday on a procedure for alternating their forthcoming talks, between Moscow and Peking—a further sign that they are preparing for a concerted effort to improve their relations.

Tass, the Soviet news agency, reported that the talks on improving relations, which are to begin in Moscow soon, and the long-running, inconclusive border talks, which have been held in Peking, will alternate between the two capitals.

The preliminary protocol meeting at which the decision

was taken was attended yesterday by Mr. Wang Yiping, the chief Chinese delegate, with one adviser, and Mr. Leonid Ilyichev, chief Soviet delegate, also with one adviser.

No decision was made on other procedural or substantive questions which confront the two sides as they prepare for the opening of the Moscow talks. But the relatively quick settling of the question of venue was taken as a sign of forward movement.

Still to be decided are the length of the negotiating sessions, the agenda, and whether there will be Press reports on the talks.

No indication was given on when the full delegations would meet for the opening of the talks, which are expected to be long and difficult, but another protocol session is to be held today.

Once procedure is determined, the agenda questions which must be decided are whether Vietnam's actions and Soviet troop withdrawals from the Chinese border will be taken

Politician quits over Hamburg chemicals find

By Our Bonn Staff

THE DISCOVERY of hundreds of tonnes of poisonous gases and chemicals on a disused Hamburg factory site has prompted the resignation of Herr Frank Dahrendorf, a senior member of the city-state's ruling senate.

Herr Dahrendorf, the Justice Senator, admitted yesterday that he had written a letter in 1971 which effectively declared that the area around the factory was safe.

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OVERSEAS NEWS

Assad announces reforms in bid to stem discontent

BY IHSAN HIJAZI IN BEIRUT

SYRIA'S leadership under President Hafez Assad has decided to undertake a series of reforms in an apparent attempt to check rising discontent.

The reforms were announced yesterday by the National Progressive Front after a week of meetings in Damascus. Details were broadcast several times over the state-controlled radio.

The front is headed by President Assad and includes the ruling Ba'ath Party, the Soviet-orientated Syrian Communist Party and two smaller left-wing parties of a Nasserist complexion.

The broadcasts declared that the front was to be expanded by establishing more offices in the countryside. It seems clear that President Assad wants to expand his power base by not limiting it to the Ba'ath Party.

of which he is secretary-general. The front began its talks in the wake of recent sectarian clashes in the northern port of Latakia earlier this month and the massacre of cadets at the artillery academy in Aleppo in June.

The violence in Latakia was reported to have been between Sunni Muslims and the Alawite minority to which Mr. Assad and many leading Government figures belong. Most of the victims of the killings at the artillery academy were Alawites.

In its declaration yesterday the front accused imperialist agents and the Moslem Brotherhood of being behind the trouble. It spoke of the need to preserve national unity and to rally around the regime of President Assad.

At the same time, the statement admitted that there had been shortcomings which should be checked and stopped forthwith. It called on the Government to lessen dependence on martial law, which was put into effect after the six-day war with Israel in 1967.

The front called for a purge of the civil service and recommended steps to improve the economy and to ensure ample supply of basic commodities.

There has been no confirmation of reports that Sunni and Alawite soldiers serving with Syrian troops in Lebanon have clashed at their posts in a district north of Beirut. The reports were broadcast by the Right-wing Christian radio, Voice of Lebanon. About 24,000 Syrian troops are deployed in Lebanon as an Arab League peace-keeping force.

Iran bank chief quits

By Andrew Whitley

THE PRESIDENT of Bank Mellat, Mr. Jalil Shoraka, has resigned his post and left Iran.

At his own request, Mr. Shoraka has taken up the post of managing director of Iran's first overseas investment bank in London, in which Bank Mellat has a 25 per cent shareholding. He arrived in his new office last week.

Tipped to succeed Mr. Shoraka at Bank Mellat was the former director of the bank's international department, Mr. Azimi, who is well-known abroad. His appointment would reassure foreign bankers.

Bank Mellat emerged from the February revolution in a relatively good shape and has since announced a sizeable increase in deposits. It is expected to remain one of four or five major units, once the expected mergers of the nationalised banks are completed.

Iranvest stressed yesterday that Mr. Shoraka remained in good standing with the Iranian authorities and would be able to use his old contacts in his new post.

But his departure from Iran, coming after the recent life imprisonment sentence on Mr. Yusef Khatami, a former Governor of the Central Bank of Iran, will undoubtedly demoralise other, already nervous bankers there.

At Iranvest, Mr. Shoraka takes over a venture intended to knit the Iranian banking system closer into that of the international community. The Iranian Government holds 50 per cent of Iranvest's capital, with the remainder owned by eight Western and Japanese banks.

Zia dampens November poll hopes

By Simon Henderson

THE CHANCES of general elections being held in Pakistan as planned in November, and the country returning to civilian rule, appear to have diminished after a speech by President Zia-ul-Haq.

Gen. Zia, who took over in June, 1977, from the late Mr. Z. A. Bhutto, said in Baluchistan that while present, Pakistan's integrity and ideology were more important.

The remarks seem to be preparing the ground to stop Mr. Bhutto's People's Party from gaining power. The party, in protest at restrictions, has said that it will not register with the election commission to take part in the poll, even though observers consider it the most popular political grouping in Pakistan.

Gen. Zia seems not to have mentioned the People's Party in his speech, only saying that 35 or so parties were in the race at the moment, and he could not see any being able to form a Government.

Confusion remains about Gen. Zia's real intentions. In comments made a few hours later, he said he hoped the November elections would go ahead.

AMERICAN NEWS

Oil shortage provokes new ideas on sharing resources

U.S. reviews stockpile plan

BY DAVID LASCELLES IN NEW YORK

MR. CHARLES DUNCAN, the new Energy Secretary, is expected to give some details of U.S. plans for its controversial strategic petroleum reserve when he addresses a meeting of southern governors in New Orleans next Tuesday.

The reserve, originally designed to stockpile 1.2 billion barrels of oil by 1986, has vastly overrun its original cost estimates and schedules. The recent turmoil in the oil markets has also forced the Government to halt purchases, and there have been press reports that the U.S. is under foreign pressure not to resume them, for fear of what this could do to the oil price.

In Washington it is thought that the question of future purchases for the reserve is under

review, and that a new "acquisition strategy" is being prepared. However, Middle Eastern producers and other countries are not thought to have made any representations or threats.

The State Department noted that the U.S. had agreed with other major industrial nations at the Tokyo summit not to indulge in any oil stockpiling which might affect prices. This agreement had been made known to oil producers, a spokesman said yesterday.

However, several modifications to the reserve are being considered. One is to cut its size by about half, to around 500 million barrels, and leave it at that. Another is to reduce it to 750 million barrels and ask the oil industry to stockpile the remain-

ing 250 million. At the moment, the reserve has only 92 million barrels. The Department of Energy has also said it may draw on domestic rather than foreign oil to fill the reserve. This oil could come from the existing natural oil reserve, or from Alaskan oilfields, or even continental producers. Other questions which have still to be answered include who will get the oil from the reserve if the President authorises withdrawals, and at what price.

Mr. Duncan's choice of New Orleans in which to discuss the reserve is no accident. The reserve consists of several abandoned salt mines along the Louisiana and Texas coast which have been specially prepared to take oil, and the reserve is administered from New Orleans.

Mexico calls for oil aid to poor countries

By Our UN Correspondent

SR. JOSE LOPEZ PORTILLO, the Mexican President, yesterday called for a world energy plan that recognised the needs of all nations and offered special help for the poorest countries.

Speaking in the UN General Assembly he proposed the establishment of an international energy institute and of a working group to prepare "pertinent specific proposals" for implementing his global plan. This group should be comprised of representatives of the petroleum-producing countries, industrialised countries and the developing states that were petroleum-importers.

"Energy sources are the shared responsibility of all mankind," he said. "Energy sources must not be the privilege of the powerful. We want to bridge the gap between extremes by making present-day petroleum supply, demand and price structures compatible with the alternatives we seek for the future."

"The order that must come about—and soon—can either come as the result of the participation of sovereign nations in the negotiations and free will, or be violently imposed by the most powerful of those nations."

It was not impossible, he might result from "a stupid, holocaust," he said. This was the dilemma and the reason for his proposal. "We must make against time to find new solutions before our present sources run out," he said.

Mr. Lopez Portillo called for an increase in the systematic exploitation of potential reserves of all types, both traditional and non-traditional, which had not yet been exploited owing to lack of financing or of applied research.

He mentioned the need to exploit solar, hydro, wind, tidal and thermal energy and said there should be a global system for disseminating and transferring technologies.

Kuwait expels Khomeini envoy

BY OUR FOREIGN STAFF

KUWAIT HAS deported the special representative of Ayatollah Khomeini, the Iranian religious leader, as a result of fears that he was stirring up unrest among the Shia Muslim minority in the small Gulf state.

According to Kuwaiti newspaper reports, Mr. Abbas Muhri and 15 members of his family were expelled to Tehran on Wednesday and stripped of their Kuwaiti nationality. His son, Ahmed Abbas Muhri, was arrested earlier this month for making political speeches in a mosque. He was also expelled.

Last week another representative of Ayatollah Khomeini was expelled from the United Arab Emirates. In late August he had been made to leave Bahrain.

Shia populations in the Arab Gulf states, which are all ruled by families of the majority Sunni sect of Islam, have been subject to increasing proselytisations by the Iranian religious leadership. The most seriously affected state is Bahrain, where Shia are in a majority.

Ayatollah Sadeq Rouhani, a close associate of Ayatollah Khomeini, has issued specific

threats of annexation by Iran against Bahrain's Government, Iran's long-standing territorial claim to Bahrain was abandoned by the Shah in 1971.

Egypt has said that it will "help and support" Bahrain and any Gulf state if it is asked to do so as a result of Iranian threats. Vice-President Hosni Mubarak said in Salalah in Oman that recent Iranian statements threatened "the security and safety of the Gulf. Egypt's bitter rival Iraq has been prominent in offering reassurance to Bahrain.

Kampuchea to receive more aid

BY OUR FOREIGN STAFF

HUNG SAMRIN's Vietnamese-backed Government in Kampuchea has agreed to allow foreign aid workers to mount relief operations inside the country on a scale that so far has been impossible.

News of this change reached officials of the International Red Cross and United Nations Children's Fund (UNICEF) through the Kampuchean Economic Affairs Ministry at a time when 2m people inside Kampuchea are understood to be on the verge of starvation.

Permission comes at an opportune time because the

monsoon has almost ended, greatly easing relief operations in the weeks ahead.

Concern exists, however, over the worth of yesterday's agreement. This is based on reports that Vietnam is preparing for a major offensive against isolated strongholds of Pol Pot's overthrown Khmer Rouge regime.

Those are located in a strip of territory in the north-west of Kampuchea near its border with Thailand. If such a campaign is mounted, any aid effort will be seriously hampered.

The Red Cross said yesterday that detailed plans will be

drawn up next week to supply Kampuchea with more food, medicines, and other relief materials.

Emphasis will be on close supervision and control, rather than flooding Phnom Penh with relief supplies that its skeleton transport and communications services cannot handle.

The Red Cross and UNICEF have so far jointly sent about 150 tonnes of relief materials to Kampuchea on four weekly flights. But the needs are estimated at more than 3,000 tonnes per week.

Nigeria bans imports of rice

BY MARK WEBSTER IN LAGOS

NIGERIA'S outboard military Government has approved a supplementary budget which increases the federal allocation by Naira 2.6m (21.7bn) and bans the import of rice.

The budget reflects a dramatic improvement in the Government's revenue position thanks largely to the oil price rises by the Organisation of the Petroleum Exporting Countries (OPEC) and Nigeria's own record level of production early this year.

Total additional revenue is said at Naira 3.1m more than the Government for the 1979-80 budget, according to the Ministry of Finance. Of that Naira 2.6m will go to the federal Government and the remainder will be shared among the states.

Details of federal government use of the additional revenues have not been disclosed. In the

original budget special emphasis was put on agriculture, defence and education as the biggest recipients of federal funds.

The increased allocation to the states should help to ease the burden of debt which incoming civilian administrations will face. There have been protests from some state governments about the heavy debts they will have to bear when they come into power.

Several items have been added to the list of those requiring import licences, including electric filament lamps, spindles and spindles, radio and television installation equipment, industrial protective gloves and apparel.

The move which is bound to cause the most disruption to trade, however, is the ban on rice imports. Previously, the

Government had banned the import of rice in quantities of less than 50 kg, while putting all other rice on import licences.

Major-Gen. J. J. Oinley, Federal Commissioner for Finance, says that despite the import restrictions rice had still been finding its way into the country to the detriment of local producers. "It has therefore been decided that rice should be placed on the prohibition list with immediate effect."

Provisional estimates show oil revenues in calendar 1978 at naira 6.88bn. Real gross domestic product should rise 8.1 per cent in 1979-80 compared with a fall of 5.5 per cent the previous year. The balance of payments is expected to swing into surplus in calendar 1979 from last year's record deficit of naira 2.3bn.

Vance reassurance on Cuba

NEW YORK—U.S. Secretary of State Cyrus Vance told Latin American nations yesterday that "we will assure that our interests are fully protected" in the dispute over Russian troops in Cuba.

The troops raised concern that Cuba would exploit internal tensions in the hemisphere, he said.

He gave no indication of what retaliatory measures the Carter Administration might take if negotiations with Mr. Andrei Gromyko, the Soviet Foreign Minister failed.

"We are seeking to resolve, by diplomatic negotiations with the Soviet Union, questions raised by the presence of these forces," Mr. Vance said. In contrast to the tough line taken by some other Administration officials, he said that the dispute with the Soviets should be kept "in proper perspective."

The U.S.-Soviet relationship went much deeper, with a number of significant interests at stake. But he affirmed a determination by the U.S. and its hemisphere neighbours to resist "out-

side interference in their internal affairs."

President Carter has set up a committee headed by Mr. Clark Clifford, the former Defence Secretary, to advise him on how to resolve the issue of Soviet troops in Cuba, it was reported yesterday.

The committee was said to include six former officials, Republicans as well as Democrats, with expertise in foreign policy and intelligence matters. Agencies

Warning on Canadian growth

BY ROBERT GIBBENS IN MONTREAL

CANADA FACES an extended period of slow or zero growth, the Conference Board warned yesterday. In its latest economic forecast it says there will be continuing high inflation, substantial government deficits, and also large federal spending deficits.

The current account deficit, expected to be around C\$ 7bn (£2.7bn) this year, will rise to

C\$7.5bn in 1980, the Board says. Real output will be up 2.4 per cent this year but only 1.5 per cent next year. Employment growth will slow, while corporate profits will have a gain next year of less than 4 per cent, against 18.8 per cent this year.

The inflation rate for 1980 is put at 9.2 per cent against 8.9 per cent for all 1979 and the jobless rate will rise to 7.7 per

cent from 7.6 per cent in 1979. Consumer spending in real terms will be up a modest 2.7 per cent next year. The federal budget deficit will widen to C\$ 12.6bn next year from C\$ 11.2bn this year. Canada's problems are attributed mainly to the U.S. recession which will reduce demand for Canadian primary and secondary products.

Timerman expulsion splits regime

BY ROBERT LINDLEY IN BUENOS AIRES

THE RELEASE of journalist Jacobo Timerman and his expulsion from Argentina on Tuesday night was precipitated by an overwhelming vote against his release by nine serving army major generals.

As a result of the six to three vote, Lt-Gen. Roberto Viola, the army Commander-in-Chief, immediately called a meeting of the three-member military junta, made up of the heads of the three armed forces, and the junta decided to obey the Supreme Court to release Sr. Timerman. Unlike the top army officers, the navy and air force have favoured the release of Sr. Timerman, who was arrested 30 months ago.

The Timerman case has heightened antagonism between the hard and soft liners in the regime. Already the hard liners were angry with President Jorge Rafael Videla and the junta for having invited the Human Rights Commission of the Organisation of American States to investigate human rights in the country.

Sr. Timerman, 56, had been in custody since April, 1977,



Sr. Timerman and his wife Risha in Tel Aviv.

when he was arrested along with other members of the "Graviera Group" on suspicion of having committed economic and subversive crimes. Several members of the group subsequently were sentenced to

long prison terms, but a military court cleared Sr. Timerman.

Last year, in a first ruling on the case, the Supreme Court ordered the junta to release him, but acting on the strength of the so-called "Institutional

Act" of October 15, 1977, the junta continued to hold him prisoner under house arrest in Buenos Aires for the last 17 months.

Sr. Timerman was put aboard an Argentine Airlines jumbo jet on Tuesday and flown to Rome. He was also stripped of his Argentinian citizenship, but travelled with an Israeli visa.

His wife and two sons, who have been in New York campaigning for his release, will meet him in Israel. Later Sr. Timerman will move to New York, where he has a contract to teach journalism at one of the universities.

In Argentina he founded several publications, the most recent one being the Buenos Aires daily La Opinion. The Government has confiscated his share in La Opinion, which continues to operate under the directives of a board of army and air force officers and most of its editorial staff.

It was widely assumed that the junta's refusal to release Sr. Timerman was the result of official anti-Semitism, but spokesmen for the junta always have denied this.

SOUTH KOREA'S GROWTH STRATEGY FOR THE NEXT DECADE

Painful road to economic maturity

BY RON RICHARDSON IN SEOUL

THE SOUTH KOREAN Government, which has often been criticised for its high-speed growth, is now facing a painful road to economic maturity.

The highly vocal export industries, organised into the powerful Korean Traders Association, insist that they will be seriously damaged if the Government does not revert to a growth strategy, accompanied by a devaluation of the Korean won.

The two diametrically opposed views of the needs of the Korean economy are based on different time-scales of reference. The businessmen are looking at yesterday and today, while the economic planners are looking to tomorrow.

Once this is taken into account, their assessments can be reconciled into a single picture of a successfully planned economy going through a period of painful adjustment.

Since 1961 the economy has swollen in size by 440 per cent in constant price terms, taking gross national product per head from \$22 to a forecast \$1,500 this year. The export-led growth strategy has seen foreign sales of merchandise grow from \$43m to a probable \$15.5bn this year.

In this time, the contribution of manufacturing to total GNP has doubled to its present level of about 27 per cent, half of that being concentrated in the heavy and chemical industries.

The greatest contribution to South Korea's growth during the second half of the 1970s when economies in many other countries were stagnating was its aggressive response to the oil shock of 1974.

Faced with a near quadrupling of the bill for its main energy source, the economic planners opted for a programme of heavy foreign borrowing and maximum stimulation of the economy. At the end of the year the Government used the package together with a heavy devaluation.

This response, in the words of Mr. Lawrence Krause, an economist of the U.S. Brookings Institution, "gets Korea the gold star for best handling of (oil crisis) policy." GNP growth for the year was a solid 7.5 per cent, while exports climbed 38 per cent. On the negative side

was the accompanying domestic inflation, which measured in terms of the GNP deflator was 30.1 per cent.

The period of rapid growth accompanied by high inflation entered at this time carried the seeds of the problems now bedeviling Korea.

In the 51 years since the oil price adjustment, consumer prices in the country have more than doubled, while wages have almost quadrupled.

The money supply has swollen, ranging up to an annual increase of 40 per cent in 1977, the year in which South Korea's success in winning construction contracts in the Middle East paid off in a big way. Contractors remitted \$1.2bn in earnings which flooded into the domestic economy without offsetting imports to satisfy the demand it created.

During 1978 much of these funds found their way into the property market in a bout of vicious speculation. Urban house and land prices almost doubled during the year.

Finally alarmed at the serious domestic imbalance that was being caused by the export growth-at-any-cost policy, the Government began to introduce late last year a series of liberalisations aimed at boosting the supply of goods on the domestic market while depressing demand with a sharp squeeze on the growth of the money supply.

The measures were pulled together in April in a stabilisation

programme aimed at realigning the structure of the economy toward a better balance between domestic and export industries while aiming at a lower level of growth than in the 1970s.

This has hurt South Korean industry, which had become used to paying yesterday's debts from tomorrow's growth. Expansion of the broadly defined (M2) money supply is being pulled back from last year's 35 per cent rate to 25 per cent this year.

This target rate has almost been achieved already, pointing to the severity of the squeeze that has been applied. During the first half of the year, M2 rose by less than 5 per cent.

Forced bankruptcies

The rate of new bank lending is still 40 per cent, according to the Economic Planning Board, but quite a lot of this is going into major development projects already under way, leaving far less finance for small to medium firms.

As a large portion of the operating funds of Korean companies in the past have come from 90-day bank loans, regularly rolled over, many of these companies are being forced into bankruptcy. One of the first casualties and by far the biggest, was Yulsan, the former general trading company.

Also contributing to the slowdown in money growth is a

heavy outflow of funds to pay for imports which flooded into the country in the first half at a rate 50 per cent up on the level of 1978.

This is a direct result of the Government's easing of controls on the import of goods in areas where domestic prices were far above international parity.

Another factor contributing to the import surge was a build-up of stockpiles of industrial raw materials. The rate of imports has slowed considerably in the past two months as this reserve buying has subsided.

Exports in the first half rose 19 per cent by value, but were actually 3 per cent less in volume terms. This highlighted the loss competitiveness of some export sectors, notably textiles and garments, which have been unable to absorb last year's average wage rise of 37 per cent in manufacturing industry.

Wage inflation is one of the main targets of the stabilisation programme. But the cure, as far as the order-deficient, credit-squeezed textile industry is concerned, is as bad as the ailment.



South Korean industry: feeling the drought of the Government's tough measures.

Many smaller factories have already closed their doors and laid off their workers.

Painful as this is in human terms, it is one of the short-term effects anticipated from the credit squeeze. The Government is planning for an increase of about 140,000 in unemployment this year to a level of 4.2 per cent of the workforce.

The Government believes this situation in industry will subside pressure for a substantial wage rise at the end of the year, while observers say big productivity increases can be achieved by lay-offs as Korean companies have tended to over-staff heavily in the past because of the relative cheapness of labour.

However, the more politically sensitive sections of the Government have been having second thoughts about the social consequences of using unemployment as an economic tool.

But the economic planners, at least, are adamant that there will be no easing up on the squeeze until inflation is brought down to single digit

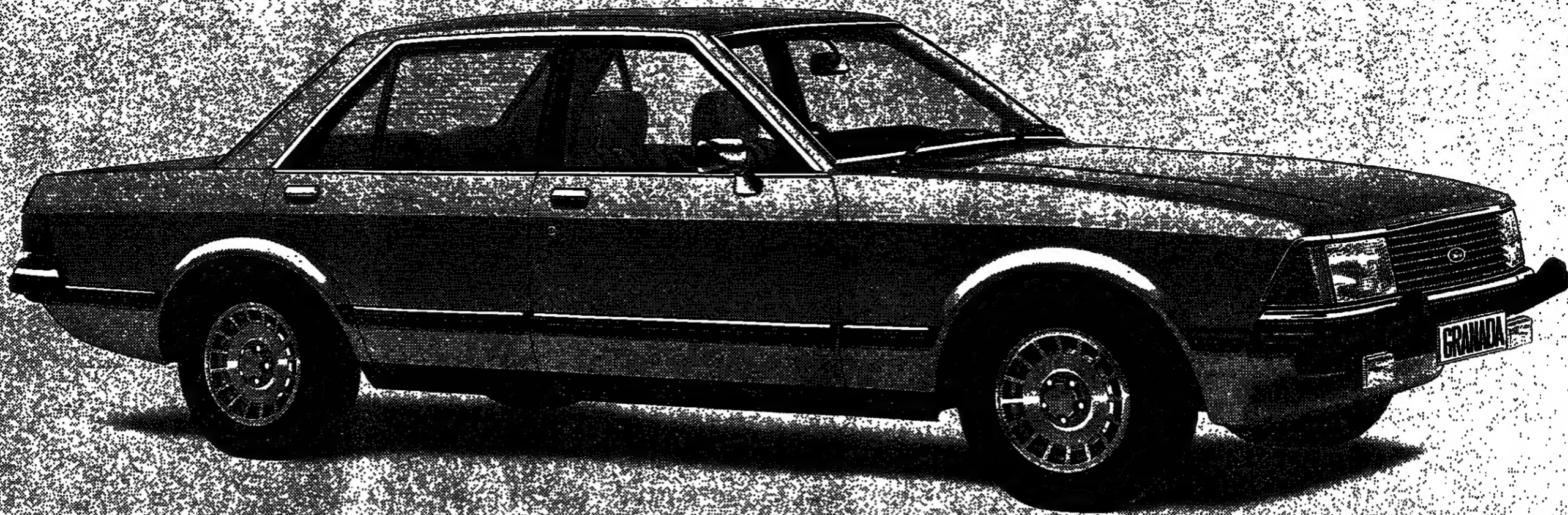
level, perhaps by the end of next year.

Only then, they argue, can the country push on to the continued development of its heavy industry and social infrastructure which they have no doubt will culminate in its emergence as an advanced economy in little more than 10 years.

They have considerable backing for this judgment. In an analysis of the economy issued in May, the World Bank said: "The projections made by the Korean authorities suggesting that by 1991 Korea can join the ranks of the developed countries seem reasonable."

The Bank's report pointed to the "phenomenal rate" of increase in real investment—a yearly average of 33.4 per cent during the past two years—as a source of growth during the next few years while further restructuring of industry takes place. With this achieved, the Bank concluded, a steady GNP growth rate of 10 per cent annually was feasibly during the 1980s.

The 1980 Ford Granada



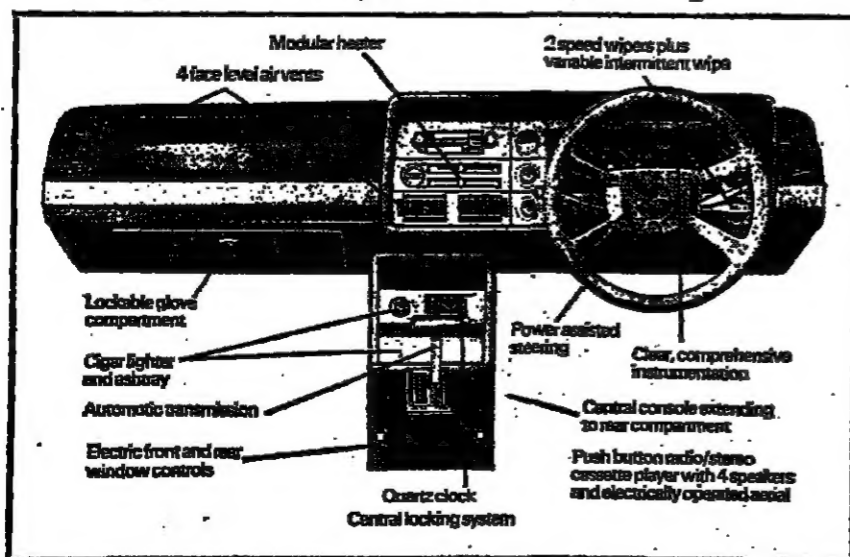
2.8 Litre V6 Granada Ghia with automatic transmission.

Ford engineering brings more comfort, refinement and performance to a durable and reliable car.

The 1980 Ford Granada has new seats with deep foam cushions, mounted on graduated suspension springs, specially tuned to the Granada's all-round independent suspension. And the seats have been ergonomically designed to give correct spinal and lumbar support.

Ford have put a lot of thought into making your surroundings comfortable too.

The finish to fascia and console is now colour-toned to co-ordinate with the range of softer, richer fabrics—and you get a complete change of air every 20 seconds at 50 mph.



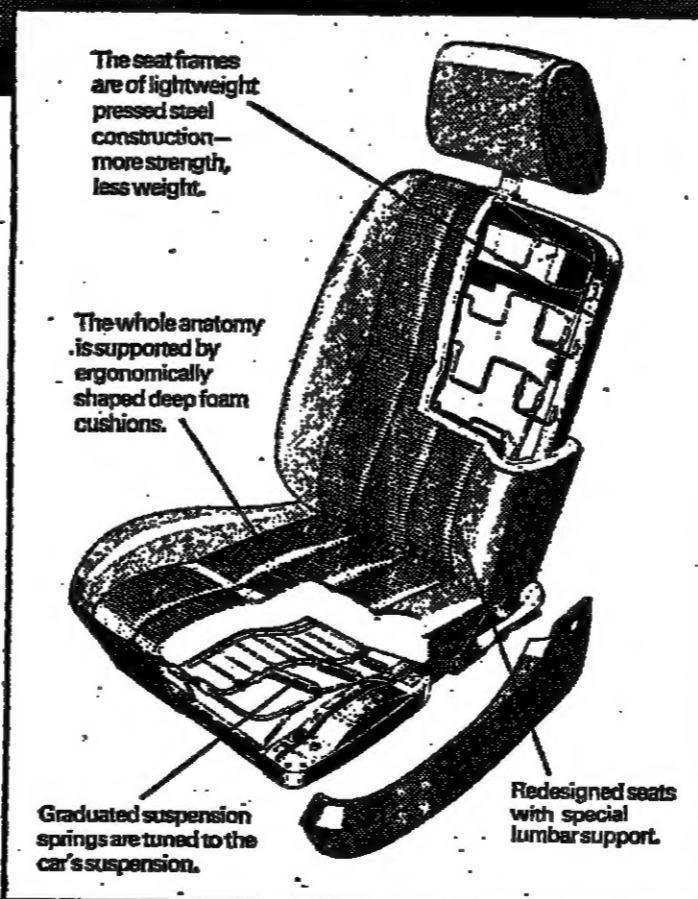
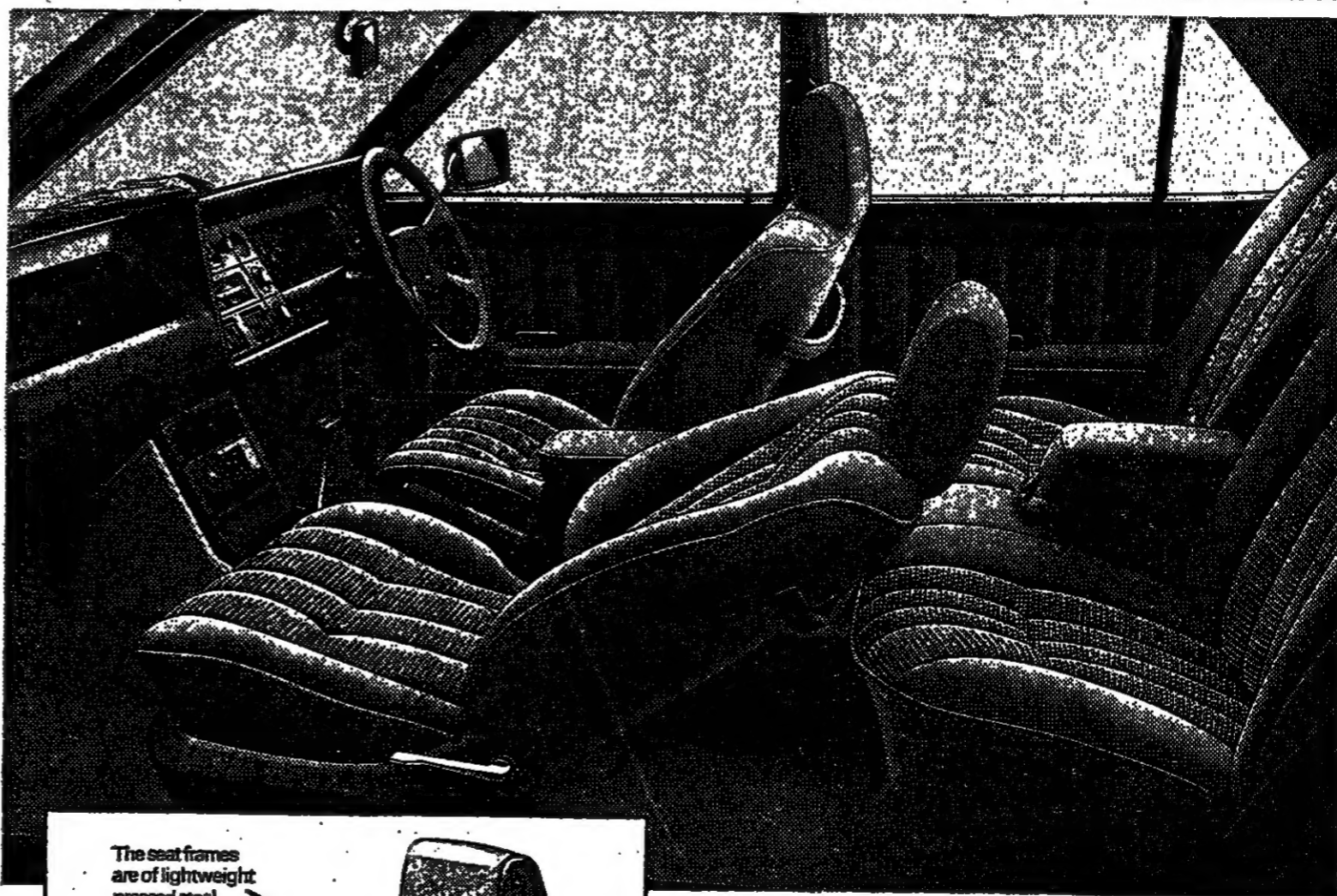
The fascia is colour-toned to co-ordinate with the new soft, rich fabrics

Improved performance and economy

But it is not only the interior that has been refined. All Granada petrol engines now have a viscous coupled fan; V6 engines have electronic breakerless ignition; and the 2 litre ohc engine has special new low friction piston rings. These, plus other detail modifications, add up to good performance and economy across the range with significant improvements on 2.0 and 2.3 litre models.

Increased rust protection

Every Granada goes through a 20-stage body protection process. This now includes



The seat frames are of lightweight pressed steel construction—more strength, less weight.

The whole anatomy is supported by ergonomically shaped deep foam cushions.

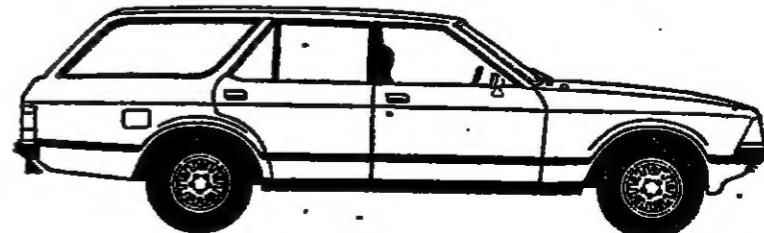
Graduated suspension springs are tuned to the car's suspension.

Redesigned seats with special lumbar support.

Some standard features of the Granada Ghia Automatic transmission (except with fuel injection): power assisted steering, push button radio/stereo cassette with four speakers and electrically operated aerial, laminated windscreen, tilt/sliding roof, alloy wheels, quartz clock, Durham/Crushed Velour seat fabric, central locking system (4 doors and boot), remote control door mirror, 2 speed and variable intermittent wiper windscreen wipers, carpeted boot, dual tone horn, front and rear fog lamps, tinted glass, electrically operated front and rear windows, shag pile carpet, headlamp wash.

New 2.3 litre GL Estate

The spacious Granada Estate gives you 42 cu ft of space as a 5 seater and 77 cu ft as a 2 seater. And the range now includes a 2.3 litre GL model.



Engine size (litres)	Max Speed (mph)	0-60 mph (secs)	GRANADA PRICES
2.0 L (petrol)	102	11.1	Granada L from £5339
2.3 L (petrol)	107	10.2	Granada GL from £7029
2.8 GL (petrol)	114	9.5	Granada GLS from £8207
2.8 GLS fuel injection (petrol)	120	8.8	Granada Ghia from £8907
2.8 Ghia (petrol)	109	11.3	Granada Diesel from £5770
2.1 Diesel (petrol)	85	22.5	Granada Estate from £5909

*Ford compiled performance data for saloon models.

Maximum prices as at September 28th 1979. Seat belts, ca: tax and VAT included. Delivery and number plates at extra cost.

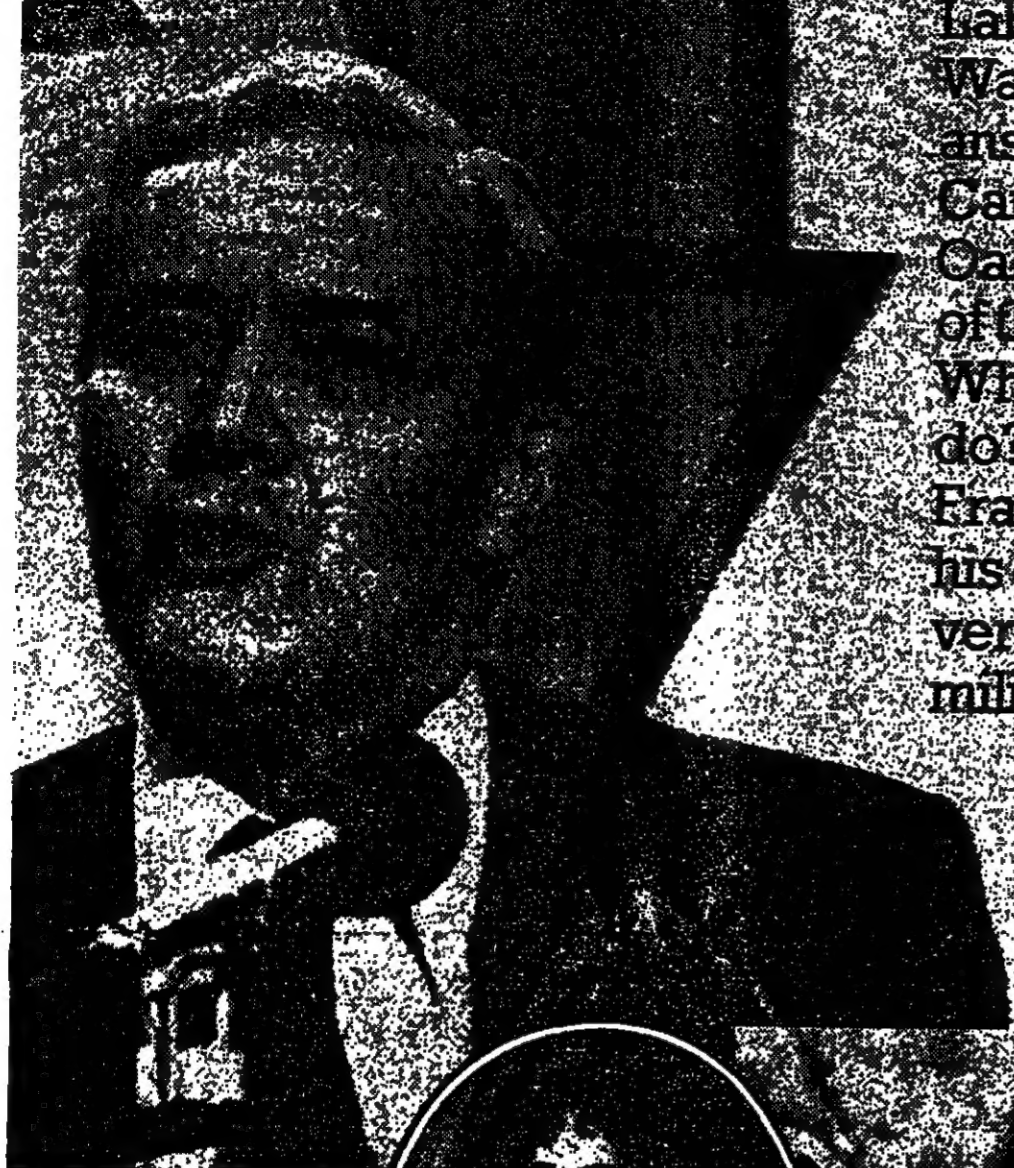
FORD GRANADA



The crisis of Socialism.

NOW! with former Labour M.P. Brian Walden, asks "Will the Labour leader fight, fight and fight again?"

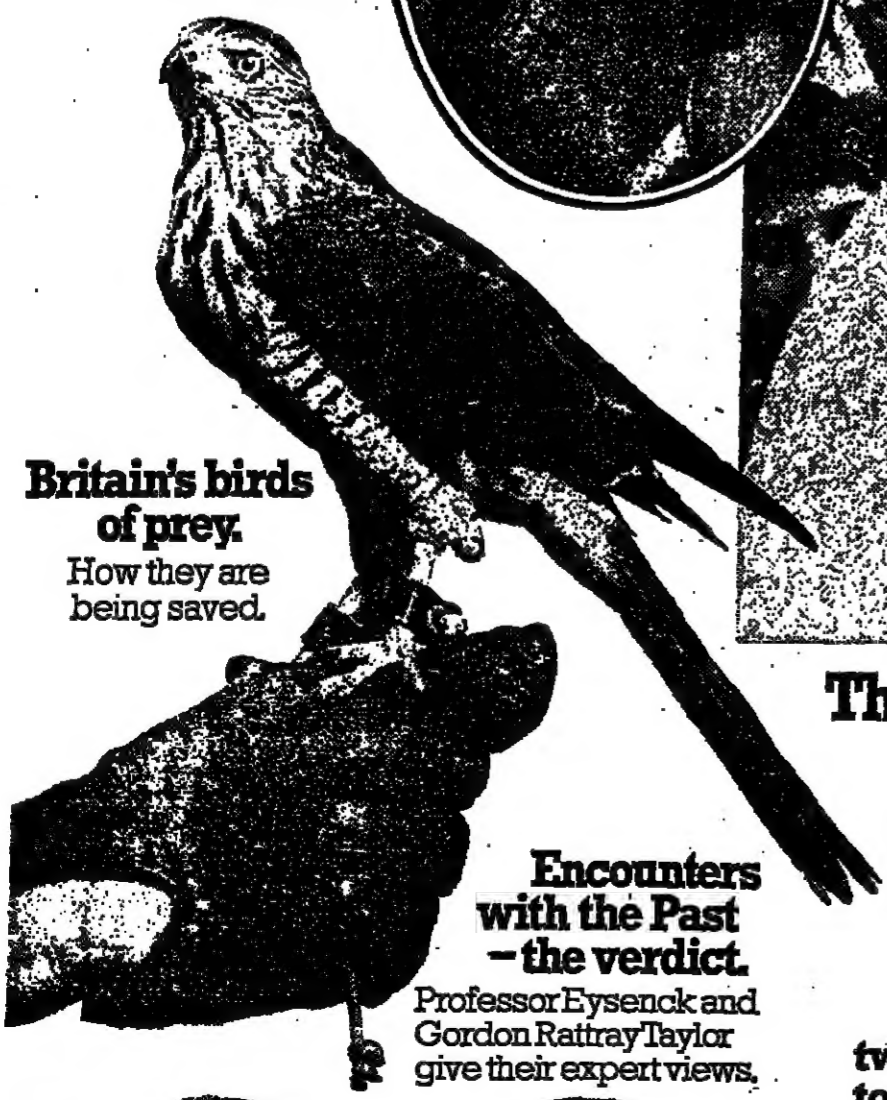
What kind of politician is the man struggling to keep control of the Labour Party? Brian Walden gives the answer. Can he win? Robin Oakley makes a tour of the battlefield. What should Callaghan do? Union leader Frank Chapple gives his controversial verdict on the militants.



Charles II
Sir Arthur Bryant reviews Antonia Fraser's latest biography.



Britain's birds of prey.
How they are being saved.



Encounters with the Past - the verdict.

Professor Eysenck and Gordon Rattray Taylor give their expert views.

The mission of John Paul II.

In NOW! this week, Paul Johnson looks at the man and his mission.

NOW! this week focuses upon two important events, the Pope's visit to Ireland and the Labour Party Conference.

There is an interview with John Wood, one of Britain's most acclaimed actors, whose Richard III might well be the first to challenge the authority of Laurence Olivier's definitive performance.

We also have a picture special on Israel. Hugh Thomas examines what the Russians are doing in Cuba.

And Clive Barnes writes about the new Broadway season.

The present state of Israel. A NOW! picture special.



Kathryn Samuel
on fake furs.

Patrick Huther
on a City scandal.

Cyril Fletcher
on gardening.

EVERY WEEK

50p

NOW!

The news magazine.

UK NEWS

Plea for moderate action to save fuel

By Kenneth Gooding, Motor Industry Correspondent

A WARNING that governments should not endanger the viability and competitiveness of the European motor industry by taking hasty action to conserve fuel came yesterday from the UK Society of Motor Manufacturers and Traders.

The society pointed out that 2.5m people are directly engaged in the manufacture of motor vehicles, components and materials for vehicles in the EEC. The industry was "essential in a modern industrial society."

Therefore "government policy must recognise the constraints within which the motor industry is forced to operate, taking due account of the lead times involved in effecting changes in vehicle design and of the need to safeguard the profitability of existing investment."

In a paper "Energy and the Motor Industry," the society argued that national energy policies should reflect the place of road transport in a country's economic and social structure.

Consumption

Road transport would remain dependent on oil as its principal energy source well into the next century. And "no realistic contender has yet emerged as successor to the internal combustion engine, for the mass of road transport."

The paper points out that since 1974 the average fuel consumption of new cars sold in Britain has decreased by around 10 per cent and that the manufacturers had committed themselves to getting a further 10 per cent improvement by 1985.

- But progress depended on:
 - Legislation on environmental and safety requirements.
 - The ability of manufacturers to earn the money to finance and develop more fuel-efficient vehicles.
 - The car owners' willingness to accept new car designs and to pay for the necessary changes.

Nuclear power growth needed, electricity conference told

By Ray Dafter, Energy Editor

BRITAIN will face a substantial gap between energy demand and domestic supplies within the next two decades, Mr. Norman Lamont, Energy Under Secretary, warned yesterday.

He told delegates at the South West annual conference of electricity supply committee members in Exeter that Britain's annual energy import requirement in the year 2000 could be more than 100m tonnes of coal equivalent.

"Some of these requirements may be able to be met by imports but on any realistic assumption we shall find it difficult to meet our demand at tolerable prices without a contribution from nuclear power," he said.

Mr. John Moore, another Energy Under Secretary, also stressed the importance of energy conservation yesterday.

"It is an essential and vital part of our energy policy and will provide the bridge between

our conventional energy world and the very different one we will face in the next century," he told the Central Heat Productivity Association in Maidstone.

Meanwhile, Dr. David Owen, the Opposition Energy Spokesman, has urged the Government to abandon its plan to sell some of its British Petroleum holdings.

In a letter to Sir Geoffrey Howe, the Chancellor of the Exchequer, Mr. Owen said it would be particularly unwise to sell the shares now.

There were good grounds for hoping that BP's position in Nigeria would be restored and this should itself add substantially to the value of the Government's holdings. It was also

reasonable to hope for additional oil finds from BP's worldwide exploration activity.

Mr. Owen said that if a sale was still contemplated, it should be restricted to no more than 10 per cent of the Government's

51 per cent holding, to keep Government control of the company.

● Major energy users could face serious shortages of fuel within a few years unless urgent steps are taken to implement conservation measures and to step up the production of fuels other than oil, the head of British Petroleum's "think tank" said yesterday.

Mr. Robert Belgrave, who was presenting a BP report on oil supply—called "Oil crisis... again?"—said the era of cheap and plentiful oil had come to an end.

Consumer voters had a grudge against the supply industry and the prospect of it making profits that were necessary to stimulate investment.

Estimates for coal, nuclear and gas supplies had all been reduced, both by industry and government sources. "The main reasons for this are not economic but are political, institutional and social," he said.

● Sue Cameron writes: Britain used 5.5 per cent more energy in the early part of this year than in 1978—but oil consumption dropped slightly in June and July compared to last year, according to the latest figures from an official publication, Energy Trends.

UK oil production between May and July this year was 21.1m tonnes—7.3m more than in the same period last year. Deliveries of crude to UK refineries totalled 25.2m tonnes, and 40 per cent of this came from the UK sector of the North Sea.

Overall, oil consumption during the three-month period showed a 0.3 per cent increase on 1978.

Coal consumption between June and August was 12.2 per cent up on 1978 at 27.7m tonnes and gas consumption by 3.8 per cent, or 2.518bn therms. Electricity consumption was 5.3 per cent higher in May, June and July than last year.

Noise ban threat to hovercraft service

THE FUTURE of the world's first commercial hovercraft route is in jeopardy because of noise levels.

Planning permits for the beach terminal at Southsea, Hampshire, expire next year, and councillors at neighbouring Gosport are to oppose renewal. The case has been taken up by Hampshire environmental planning sub-committee and Portsmouth city council.

Operators of the service to the Isle of Wight claim that moving the terminal would make the route uneconomic but plans are in preparation for a quieter craft.

Council cutbacks

PUBLIC SPENDING cuts of more than £8m were approved by Northamptonshire County Council yesterday in spite of threats of industrial action by trade unionists. Because of the cutbacks 500 council employees are to lose their jobs.

Ford raise prices

THE LIST prices of Ford commercial vehicles have been increased by an average of 3.6 per cent. The group has also raised the prices of some cars after changing to the specifications.

Managers' salaries

COMPANIES ARE still not clear on how best to reward top management in the light of the Budget changes, but more senior managers prefer cash to benefits in kind, says a survey by Keyser Ullmann on Top Management Remuneration in Consumer Goods, Manufacturing, Retailing, Leisure and Services.

Pollution claim

GOVERNMENTS and oil companies are accused of being "indifferent" to the problems of sea pollution in the latest edition of Jane's Ocean Technology 1979-80. The book claims that insufficient cash is available to fight pollution.

Renault launch

RENAULT Trucks and Buses has announced two new commercial vehicles designed for the UK market. The vehicles, are a lightweight tractor unit to haul 32 tons and a 16 ton chassis cab.

Health check

FAMILY DOCTORS favour the expansion of private general medicine according to a survey conducted by Pulse published yesterday. More than 88 per cent felt that private insurance schemes, such as those operated by BUPA, should be extended into general medicine.

British Airways to cease Guernsey flights

BRITISH AIRWAYS is to cease all services to Guernsey from April next year and the airline's station on the island is to close, the Channel Islands Air Advisory Board said yesterday. British Airways said the airline's Guernsey routes were uneconomical and that its fleet of Viscounts which are used on the routes would be phased out by 1981. The airline had no plans to replace them with jet aircraft.

Hong Kong charges over Saint-Piran

BY JAMES BARTHOLOMEW IN LONDON AND PHILIP BOWRING IN HONG KONG

THE HONG KONG Government has brought 26 charges against three local companies which used to be substantial shareholders in Saint-Piran, the controversial British public company.

The move comes after a year of conflict between Saint-Piran and certain shareholders who have maintained that Mr. James Raper, a previous chairman of Saint-Piran, has continued to exercise considerable influence over the company—an assertion that Saint-Piran has denied.

Among the charges faced by Sterling Azalea, Apricot and Charnwood Investments, their directors, company secretaries and managers are failure to disclose information relating to their holdings in Saint-Piran and furnishing the Commissioner for Securities with false or misleading information.

Individuals named in the charges are Mr. Charles Ian Skinner, a director of Charnwood, Mr. Wong Chun Ming and Mr. Tso Joe Tak, a director of Apricot and Sterling Azalea.

All three are charged under section 123 of the Securities Ordinance which gives the Securities Commission power to require disclosures.

Earlier this year Mr. Max

Lewinsolm and other dissatisfied shareholders at Saint-Piran also attempted to find out who was behind the three Hong Kong companies.

The answer received by Saint-Piran to its own formal request for information was that the three held shares in Saint-Piran in their own right and not for the benefit of someone else.

The Lewinsolm group contended in court that this was untrue but failed in its application to stop the companies and four other companies registered in Panama and Luxembourg from voting on the group's motion to eject the Board.

Since then the three companies appear to have sold their holdings to Gasco Investments, a Hong Kong company chaired by Mr. Raper. The shareholders' register shows transfers on May 10, of 400,000 from Charnwood, 550,000 from Sterling Azalea and 320,000 from Apricot.

The transfers are numbers 9906, 9907 and 9908 respectively and these same numbers were also on the account of Vihong Nominees when it acquired the same number of shares in Saint-Piran at the same time. Vihong Nominees appears to act as nominee for Gasco.

Farmers beaten in bid for 2,700-acre estate

BY CHRISTOPHER PARKES

AN UNNAMED insurance company has outbid local farmers for ownership of a 2,700-acre estate farming estate on prime land in Lincolnshire, which produces £42,000 a year in rents.

The Hough on the Hill estate of the late Lord Browlow was sold anonymously by a buyer after a bid of more than £25m, according to the agents, Savills. The bid was tendered by London agents Smiths-Gore.

Tenants on six of the farms

on the estate—one holding was farmed by the Brownlow trustees—had raised funds to buy the land themselves. But, as has happened with other estates in the area recently, they were outbid by a City institution.

The tenants said they were disappointed but were fairly confident that radical changes in the running of the estate were unlikely. However, estate rents are to be reviewed early next year.

Old Masters dominate Burlington Art Fair

THE BURLINGTON International Fine Art Fair, offering probably the finest collection of pictures for sale in the world, opens at the Royal Academy today and continues until October 12. The Fair follows the success of a similar venture two years ago.

Almost 500 works are on offer at prices ranging from £100 to

Admission, which includes a catalogue, is £150, half for children, and works to look out for include a fine "Virgin Enthroned" by Isenbrandt, and a striking portrait by Zurbarán (both from Trafalgar Galleries); a Van Os still life at Richard Green; a tiny Titus at Christopher Wood; a pretty Lavery at Spink; and some interesting Continental paintings at the Louise Whitford/David Hughes stand.

● Christie's concluded its disposal of the contents of North Elmham Park, near Hatfield, the former home of Major-General Sir George Burns, with a book sale which brought the total for four days to £2,509m, over double the saleroom's pre-auction forecasts. The top price yesterday was £5,000 for a 12-volume Bible in French, printed in Paris between 1789 and 1812 by P. Boverian, Jeanne, Marianne, in Edinburgh Sotheby's has begun selling Scottish books, many the property of the Free Church College. A small roomful of theological books fetched £2,500 and about 3,000 18th- and 19th-century pamphlets made £1,550.

SALE ROOM

BY ANTHONY THORNCROFT

about £150,000 and since the 39 exhibitors include many of the leading London art dealers most of the pictures are in the four-to-five-figure price range.

Unlike the first fair in 1977 this time most of the exhibitors are British, including Colnaghi, Fleish, Spink, Richard Green and Christopher Hood.

Another change is an emphasis on Old Masters. There are some 19th century works but few moderns apart from items from Ivor Buonoman's Hogue Gallery which is offering a Dufy and a van Dongen.

Howe hints at overseas aid changes

BY PETER RIDDELL, ECONOMICS CORRESPONDENT, IN VALLETTA

SIR GEOFFREY HOWE, Chancellor of the Exchequer, yesterday indicated that the Conservative change of direction in economic policy in favour of private enterprise and a free market, applied abroad as much as at home.

He told the annual meeting of Commonwealth Finance Ministers here that Britain would have "to get its own house in order" before being able to provide more official aid to less-developed countries.

While continuing to support an expansion of the resources of the World Bank and an enhancement of the International Monetary Fund's activities, Sir Geoffrey urged that the private sector should accept a bigger role.

This blunt message, expressed in characteristically quiet language, represents a clear break

with previous British Chancellors, who tended to accept more readily the views of the lobby favouring more overseas aid.

Sir Geoffrey urged Commonwealth countries to make more effective use of existing institutions, including the market place. The role of the private sector and of private capital should not be forgotten, he said.

The politicians' job was to create and maintain an environment hospitable to enterprise and there was a correlation between the maintenance of such an environment and economic performance.

The Chancellor also argued that the recent liberalisation by the UK of its exchange controls would allow capital to move more freely around the world. This would benefit poorer nations as long as they did not try to keep out private capital.

On the overseas aid question, he stressed that Britain's ability to help less prosperous

countries was dependent on an improvement in Britain's own economic position. At present the UK's ability to transfer resources was limited and the overseas aid programme would have to make its contribution to the review of public spending plans. It is likely that spending on aid will be held down.

Sir Geoffrey said at a later Press conference that there was a surprising absence of specific criticisms on this issue. More generally, he felt far from isolated in view of the similar opinions in Australia and Canada.

Moreover in Jamaica the top income tax rate had been cut to 37½ per cent and all this was part of an "encouraging illustration of greater humility by politicians."

Officials with long experience of meetings such as this one believe there has been greater realism and less stridency in

some of the speeches than previously, although there is little genuine discussion among the participants. Instead, there tends to be a series of formal speeches.

The final communiqué, produced last night, was shorter than before. It recognised the problems of poorer countries and also the difficulties of richer Commonwealth members.

The Ministers, who will be flying together to Belgrade this morning for the annual meetings of the International Monetary Fund and the World Bank, repeated their call for an increase in the flow of resources—both private and official—to poorer nations. In particular, they urged rapid approval of the \$400m general increase in the World Bank's capital and for the replenishment of the resources of the International Development Agency, the bank's soft loan arm.

Welsh air service cuts attacked

ECONOMIES planned by British Airways and British Petroleum could seriously damage the Welsh tourist industry, Lord Parys, chairman of the Wales Tourist Board, said yesterday in Blaenav Ffestiniog, Gwynedd.

He attacked the airline's plans to cut services from Cardiff airport and BP plans to reduce the number of filling stations, particularly in rural areas.

Closing filling stations when

Land-Rover is Olympic sponsor

By Our Midlands Correspondent

LAND-ROVER, the BL subsidiary, will help sponsor the British team for the 1980 Moscow Olympics. It will supply 15 Land-Rovers or Range Rovers at a "generous discount" to transport competitors in the build-up period and during the Games.

Sir Dennis Follows, chairman of the British Olympic Association, said yesterday that transport costs formed the major part of outgoings.

Sweets halted

DELIVERIES OF sweets and chocolate to West Midlands shops have been halted by a strike at the Rowntree-Mackintosh warehouse in Penkridge, Staffordshire.

Barrage of criticism for tachograph proposals

BY LYNTON McLAIR

GOVERNMENT plans for making the tachograph vehicle performance recorder compulsory after December 31, 1981, were announced yesterday amid a barrage of criticism from industrial transport users.

Mr. Malcolm Banks, president of the Freight Transport Association, told the association's national conference at Eastbourne that the draft regulations presented industry with "an absurd if not impossible timetable."

The Government's plans were announced by Mr. Norman Fowler, Transport Minister. The draft regulations, needed to bring Britain into line with EEC rules, call for the £250 tachographs to be fitted successively to specified classes of vehicles.

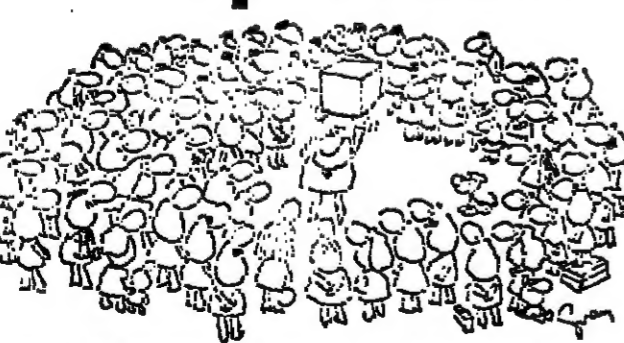
Newly registered vehicles have to be fitted by April 1 next year. But until December 31, 1981, the use of tachographs will be voluntary, apart from lorries and coaches on journeys to other EEC countries.

Mr. Hugh Featherstone, director-general of the association, said it would not be possible to fit some vehicles by April because of "insufficient capacity" in Government-approved centres.

The Transport Department has approved 170 centres where tachographs may be fitted, calibrated and sealed. A total of 450 centres is planned to be in operation by late 1980.

Mr. Fowler said yesterday that he did not underestimate the scale of the problem facing hauliers. "But our evidence shows that two years is a practical phasing in period."

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NEWS ANALYSIS—METRICATION TROUBLES

Mrs. Oppenheim opposes change

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A CONFRONTATION between the Government and industry is building up over the slow progress toward completion of the metrication programme.

The Metrication Board is about to force the issue with a special report to the Government calling for action to complete the programme and so, according to Mr. Max Wood, its chairman, get "rid of the burden of costs that two measurement systems impose on British industry."

The Board is backed by the VBI and other business organisations in its desire to finish the switch to metrication started some 14 years ago. "There can be no turning back for industry and commerce in Britain," said Sir John Methven, the CBI director-general, yesterday.

The Retail Consortium, after a meeting with the Board yesterday, said that it was "disappointed" that the Government still "refused" to sort out the middle over metrication.

But the Board and its supporters face opposition from Mrs. Sally Oppenheim, Minister for Consumer Affairs. She has long campaigned against an enforced switch to metrication, preferring a slower change on an entirely voluntary basis.

Last year she won an impressive victory over the Labour Government which forced a climbdown over its policy of compulsory metrication. Since the Tories came to power, Mrs. Oppenheim has made her opposition to compulsory metrication firm Government policy.

On Wednesday she reaffirmed this policy, when opening a pickle factory in Suffolk, by emphasising that she had no plans to force the compulsory metrication orders.

But even Mrs. Oppenheim acknowledges that the metrication in the past decade cannot be undone, since the U.S. is

manufacturing industry. Wholesaling of petrol, milk, cheese, fruit and vegetables, fabrics, floor coverings and home improvement materials. Fat stock markets and many port fish auctions are metric. Pre-packed prescribed quantity foodstuffs. By 1980, over 90 per cent by value of these

by about 750,000 each year. The main sectors not so far metric are parts of the retail industry and road signs.

Retail areas not metric are weight-based foodstuffs, some sales by length or area for carpets, fabric, hardware and petrol.

The retail motor trade has

changed, then the public begins to sit up and take notice.

She firmly believes in listening to grass-roots consumer opinion, and remains convinced that the ordinary member of the public does not want to be rushed into thinking metric in areas which affect his daily life.

Mrs. Oppenheim is backed by a survey commissioned by the Metrication Board itself.

This, made by NOP earlier this year, found that only 31 per cent of adults favoured changing to metric, while 46 per cent were opposed.

Of those hostile to metrication, 29 per cent said they did not like change; 21 per cent did not understand the reason for change; 30 per cent thought it too complicated; 15 per cent said it would be too difficult for old people.

However, 72 per cent of those surveyed accepted that the metric system would make trade and business much easier.

Even small businesses, which might be expected to oppose because of the problems caused by the switchover, now favour the metrication programme being completed and the present confusion ended.

The Metrication Board has sought to dispel the argument that metrication leads to unnecessary price rises.

While Mr. Wood acknowledges that "a handful of unscrupulous people will always try to exploit any new situation," he says that few complaints have been brought to the attention of the Board.

هكزا سن ال دمر

COMPETITION ON FERRY ROUTES

Cut-price Channel crossings

BY LYNTON McLAIN

CROSS-CHANNEL ferry companies will have to re-think their pricing policy for next year after the declaration of a price-war by Sealink UK, the British Rail ferry company.

Most of the companies have recognised for some time that a fares free-for-all was inevitable. But none, until now has had the courage or the financial strength to lead the way.

The Channel has reputation of being the most expensive stretch of water to cross in the world. Attempts have been made to introduce more competitive pricing, particularly in the off-peak winter season. But the market on the short routes—from Dover and Folkestone to Calais and Boulogne—has long needed more aggressive policies on fares.

The market for cars and passengers suffers from excess capacity, but demand, particularly for cars, is almost static. At the same time, the conventional ferries have started to feel the competition from the increasingly reliable giant hovercraft, operated by Seaspeed, a sister company of Sealink, also owned by British Rail.

Sealink UK, has been affected by these developments just as much as European Ferries, through its Townsend Thoresen offshoot and P & O Normandy Ferries, its two rivals on the short routes.

But Sealink UK's move to greater competition is also a reaction against its relationship with European Ferries. Both companies have had a joint pooling arrangement, for sailings and revenue for 14 years on the Dover-Calais route. Sealink has two-thirds of the sail-

ings and revenue from the pool and European Ferries the balance.

The cartel was investigated by the Monopolies Commission in April 1974, in a report on cross-Channel car ferry services. The commission said: "The monopoly positions of British Rail and European Ferries do not operate against the public interest."

However, the report also said it was only the involvement of French Railways—as joint operator of Sealink services—in the agreement that stopped the commission recommending that the pooling should stop.

Now Sealink UK believes the pooling arrangement has blunted its competitive edge on the short crossings. Mr. Derek Roberts, Sealink's UK's chief traffic manager for the services, said yesterday European Ferries had "resisted change" and had not shown a "ready acceptance of the need for more aggressive pricing policies."

Normandy Ferries is expected to be the main target of Sealink UK's new aggressive pricing policy. Mr. Roberts said yesterday that it was Sealink UK's intention "to become the John Lewis of the Channel and would never be knowingly undersold."

Sealink will attempt to start undercutting Normandy Ferries' fares on October 1. The fare for a car and two adults on a Sealink ferry will fall £10 to £50.40 for a five-day stay return fare. More fare cuts will follow.

At the centre of Sealink UK's fare strategy is a plan to increase the number of family and business cars which use the



A Sealink ferry sails towards Calais.

Channel ferries. At the moment only 4 per cent of Britain's 15m cars use the ferries to the Continent each year. Sealink wants to raise this to 5 per cent.

The plan would raise the number of cars using the ferries by a quarter. Sealink expects this growth to have been achieved by the end of next year.

Last year, Sealink carried 412,000 cars, 34 per cent of the 1.2m cars which were ferried across the Channel. The target under the proposed cut-price fares regime is at least half the total market by 1982.

The total number of cars and passengers expected to be carried over the Channel next year is not expected to differ greatly from last year's total. European Ferries is to introduce three new passenger and car ferries next year. P and O Normandy Ferries will add a third ferry to its Dover/Boulogne route and Sealink UK has two ferries under construction at Harland and Wolff's

Belfast yard, both of which are expected to enter service next year.

These vessels will add to capacity in a market which is not expected to grow greatly at a time when the pressure for cut-price fares is greater than ever before.

The full fury of the price-war Sealink UK has unleashed in the Channel ferry market is certain to hurt the less resilient competitors. Sealink UK made a £12.1m trading profit in the last financial year ending in December on a £141.9m turnover. Its projection for this year is "a little better."

The price-war is also likely to sink once and for all the reputation of the English Channel as the dearest stretch of water. But with the Channel's reputation may also go the status of some established names of the ferry business, at a time when ferry managements will be hard pressed to compete against low-price competitors and against hovercraft, which are winning a growing portion of the traffic.

Stevas campaign spending to be probed

BY ELINOR GOODMAN

THE DIRECTOR of Public Prosecutions has asked the police to investigate a complaint that Mr. Norman St. John Stevas, leader of the House, infringed regulations by spending too much on his General Election campaign.

The complaint was lodged on behalf of the Liberal candidate for Chelmsford, Mr. Stewart Mole, who claims that Mr. St. John Stevas spent £1,000 more than he should have done during the campaign.

The allegation followed a series of bitter exchanges between the Tory and Liberal agents at Chelmsford.

Practice

The DPP has already asked the police to examine various aspects of Mr. Mole's own campaign to see if his campaign literature complied with the regulations.

The Department of Public Prosecutions said yesterday that since the director has no machinery of his own to investigate complaints, it was the practice to ask the police to establish whether allegations about over-spending had any substance.

A department confirmed that the police had been asked to make inquiries about the handling of Mr. Mole's and St. John Stevas' campaigns.

Early in the campaign, Mr. St. John Stevas seemed to regard Mr. Mole as a quite serious challenger in Chelmsford. In the event Mr. St. John Stevas had a majority of over 5,000.

Since the election, both candidates have died their expenses, but Mr. Mole's agent has alleged that the figures submitted by his Conservative counterpart do not reflect the true level of spending.

Dr. Coggan praises servicemen in Ulster

Dr. Donald Coggan, the Archbishop of Canterbury, who was attacked by Mr. Enoch Powell on Wednesday night for "encouraging" the IRA, yesterday spoke of his admiration for servicemen and policemen in Ulster.

He said at a London lunch that on his visits to Northern Ireland he had sought to bring encouragement to the men engaged in the difficult task of keeping law and order. They were fulfilling their task "with bravery and persistence."

Dr. Coggan said that the Church of England and the British Council of Churches, of which he is president, joined in the joy of their Roman Catholic friends in Ireland at receiving the Pope as their guest this weekend.

"We shall in a very special way unite our prayers with theirs in seeking peace and reconciliation in Northern Ireland and commit ourselves anew to work for a solution to its problems."

In a speech in his South Down constituency last night, Mr. Powell alleged that in his sermon at the funeral of members of Lord Mountbatten's family, Dr. Coggan had said the union of Great Britain and Northern Ireland must be "exterminated."

EEC directive on accountancy 'too inflexible'

By Richard Evans, Lobby Editor

CONSIDERABLE reservations on the European Community directive on the qualifications of company auditors are expressed by a House of Lords select committee in a report published today.

The Lords European Communities Committee strongly supports the principles of the draft directive published in April, 1978, but argues that in its present form it could seriously affect the UK accountancy profession.

The directive aims simply to harmonise equivalent minimum qualifications and will not automatically lead to the mutual recognition of degrees or to general freedom of access to jobs within the EEC.

But the committee believes it is important that educational standards and professional obligations should not be imposed by rigid legal rules.

The committee urges that developments in accountancy practice and education should be kept under review and that some flexibility should be allowed in the application of the directive's provisions.

Twelfth report from the House of Lords European Communities Committee, 1979-80. Stationery Office, £2.

THE LIBERALS AT MARGATE

Troops pullout from Ulster call rejected

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

AN ATTEMPT to commit the Liberal Party to a policy of fixing a date for the withdrawal of British troops from Northern Ireland and their replacement by a UN peace-keeping force was defeated by a large majority at the party's Assembly yesterday.

The only Liberal MP to speak out categorically in favour of the proposal was Mr. Cyril Smith, who called for a united Ireland governed on a federal basis, and said it was essential to get a new initiative in Ulster.

He did, however, receive qualified support from Mr. David Alton, MP for Liverpool Edge Hill, who said he did not believe a military solution was possible in the province and emphasised that the time must come when British troops will have to be pulled out.

The defeat of the controversial troops out amendment—by a majority of about two to one—came as a great relief to the party leadership.

They feared that had it been carried it would have damaged the party's prospects of electoral recovery and would have made the Liberals appear irresponsible.

The two-hour debate—which was a sober and restrained affair—demonstrated the divisions which exist within the party on Northern Ireland.

Responsibility

Mr. Stephen Ross, MP for the Isle of Wight and the Liberal spokesman on Ulster, warned that if the amendment was approved it would be "utterly disastrous."

He said it would run contrary to every undertaking successive governments have given to the province. "I don't believe the Liberals can possibly be a party to that."

Mr. Alan Beith, Liberal chief whip, declared: "We have responsibility and we cannot shed it. Don't do it. There are very few of us in the Parliamentary party who could possibly support it and I urge you not to."

Mr. Richard Moore, a leading member of the party, outspokenly declared that it was deplorable of Mr. Smith to have supported the amendment which was nothing more than an easy, "cloud cuckoo" option.

By a large majority delegates approved the main resolution which called for the setting up

of an advisory council for Northern Ireland to be elected by proportional representation.

Another amendment calling for the unity of the Irish people within the EEC was rejected. A demand for the repeal of the emergency powers in the province was also defeated.

Mr. Smith, who received considerable applause for his views, made a bitter attack on Mr. Enoch Powell, Ulster Unionist MP for Down South. He said that Mr. Powell, some of his colleagues and the people for whom they were standard-bearers, bore more responsibility for the atrocities in Northern Ireland than the prayers of the Archbishop of Canterbury or anyone else.

"Mr. Powell is a purveyor of hatred and he and his mates are an affront to Christianity and all that it stands for."

Neutral

Having announced its determination to move towards that objective, the Government should withdraw British troops. He did not advocate pulling them out next week. But he did advocate a firm determination to withdraw in order to achieve a settlement. A date should be given for an orderly movement towards union.

"Until it is clear that we are so determined, a political solution will not be found," he said.

The amendment proposing the fixing of a date for the replacement of British troops by a UN peace-keeping force was moved by Mr. Rowland Morgan, Parliamentary candidate for Weston-super-Mare.

"It is not the presence of troops that causes the violence and bloody reactions, but the fact that they are British," he argued. "A peace-keeping force that is neither British nor Irish would be seen by all sections of the community to be performing a neutral role."

Moving the main motion, Mr. James Murray, Secretary of the Ulster Liberal Party, warned delegates to weigh their words carefully.

Any apparent weakening in the resolve of a significant political group in Britain to beat terrorism could be interpreted as a sign that the terrorists were winning.

People were asking what the solution was to the Ulster problem. But, said Mr. Murray, the only honest answer was that there was none.

Heseltine 'allowing mutilation' of local government

By John Hunt

AN ATTACK on Mr. Michael Heseltine, the Environment Secretary, for "utter social irresponsibility" was launched by Mr. David Alton, MP for Liverpool Edge Hill.

He claimed that Mr. Heseltine was standing by and doing nothing as local government was mutilated and as housing, education and social services were dismantled.

"They are undermining local government by withdrawing funds," he declared.

Mr. Alton promised delegates that the Government's Housing Bill on the sale of council houses would be fought "tooth and nail" in the Commons.

He was speaking in a debate on local government autonomy which showed up considerable differences of opinion in the Liberal ranks on the subject of comprehensive education.

The debate ended with the conference decisively rejecting the Government policy of removing the compulsion to introduce comprehensive education schemes. The motion, which welcomed the action of the Government in removing compulsion, was referred back.

Freedom

The resolution, moved by Mr. Philip Goldenberg, Parliamentary candidate for Eton and Slough, primarily dealt with the need for maximum freedom of action for local authorities. But, while agreeing with this aim, many delegates objected to the section endorsing the Government action on comprehensives.

Another paragraph, attacking the Government for forcing local authorities to sell council houses, received wide backing from speakers.

Mr. Alton told the conference: "If you trust in the people you can't go far wrong. This is a motion about local democracy. Do not let them take power away from local councils. We must always fight every attempt to take power away from the people."

Mr. Goldenberg insisted that the motion was not about selling council houses or about the desirability of comprehensive education. It was a debate about the Liberal principle that decisions should be taken at the level closest to the people.

There was virtually no decision taken by Government ministries which would not be better and more cheaply taken at the regional, district or parish level. He supported the principle of comprehensive education and so did the party as a whole.

Nevertheless, he thought it was a pity that the Government to repeal compulsion on local authorities to go comprehensive.

"We seek a Liberal society and compulsion from the top is anathema to that ideal."

Opposing the motion, Mr. Chris Caswell, Parliamentary candidate for Sutton, said the Tories were resisting the whole principle of comprehensive education and were playing political football with educational needs. It was, he said, a rather silly resolution.

Committed

"We must be committed to the principle of equality of opportunity in education. If we abdicate responsibility on a national level to require the introduction of that principle in all our schools then we abdicate responsibility as a great campaigning party."

Mr. David Evans, speaking for the resolution, said great damage had been done by the rigid, narrow outlook of compulsion on local authorities. At the moment local councils could not even put in traffic lights or zebra crossings without the permission of the Ministry of Transport.

Mr. Bernard Wates, a former deputy director of education for Westmorland, argued that it was naïve to say the debate was about local autonomy and not about comprehensive education. The issue of education was far too important to leave to local decision.

Radical change urged on CAP

By Ivor Owen

RENEWED demands were made for a fundamental re-examination of the EEC's Common Agricultural Policy.

Mr. Gerald Howells, MP for Cardigan and the party's spokesman on agriculture, warned that unless radical changes were made soon the CAP was likely to disintegrate.

Emphasising that in 1980 Britain would be paying more than £1bn into the EEC than she received from it, he declared: "It cannot go on. We cannot afford it."

A resolution embodying a report by the party's commission on agriculture was approved.

New curbs sought on use of asbestos

By Sue Cameron, Chemicals Correspondent

TIGHTER regulations to cut the risk of brown and white asbestos causing cancer are being considered by the Health and Safety Commission.

The measures are proposed in a report by the commission's advisory committee on asbestos. They are believed to be based on medical evidence that the risk of cancer associated with the materials is greater than was previously thought.

The report calls for the control limits on exposure to brown asbestos—amosite—to be cut from the present one fibre per millilitre of air to 0.5 fibres/millilitre. It wants the limit on white asbestos—chrysotile—to be reduced from two fibres per millilitre to one fibre.

Asbestos, which is resistant to fire and has great durability, has many applications, particularly when used by the building industry.

Controls on exposure to asbestos dust have been in force since 1970 when industry imposed a voluntary ban on the import of raw blue asbestos—crocidolite—which is thought to present the greatest health risk of all three types.

The committee's report, which will go to the Health and Safety Executive, calls for the new control limits on exposure to be introduced by the beginning of December next year. But the executive is understood to be worried that industry will resist attempts to tighten existing regulations.

Guide assesses inflation effects

A PRACTICAL guide for businessmen on the nature of inflation is included in a Financial Times management report which is published today. It says that all rules of thumb which had been applied under stable conditions have ceased to be valid.

The report Inflation and Financial Institutions, assesses inflation's likely impact on banks, savings banks, building societies, life assurance, pension funds and general insurance. It costs £50, including postage.

Labour 'must win battle of ideas'

By Richard Evans, Lobby Editor

THE LABOUR PARTY, while in opposition, must create a new climate of opinion favourable to democratic socialism and ensure that it wins the battle of ideas at the next General Election, says the author of a Fabian tract published today.

Mr. Giles Radice, MP for Chester-le-Street, argues that industry the tripartite system should be strengthened by extending planning agreements and introducing an effective system of industrial democracy.

He stresses the importance of community—the feeling that comes from common activities and values—and the support of

Promotion bottleneck 'threat to British science'

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

BRITAIN'S SCIENTIFIC effort is threatened by the overcrowding of universities and research institutes by younger staff, according to a Government report.

The unpublished report to the Advisory Board for the Research Councils suggests private industry should be asked to help relieve the promotion blockade. Companies could help bring innovative young scientists to notice from among less brilliant colleagues.

In universities, people aged 40 and under make up 60 per cent of academic staff, out-numbering by four to one the

sons who are due to retire in the next 10 years.

University authorities are attempting to ease the block by encouraging early retirement. Unproductive older staff cannot be forced out, however, because roughly 95 per cent of dons have a contractual right to life tenure of their jobs. An Act of Parliament would be needed to remove this.

Surveys

Similar blockages threaten many specialised research institutes.

Surveys by the councils for agricultural, scientific, and

environmental research last year all showed that more than half the main-line scientific staff were under 40—56 per cent in agriculture, 57 per cent in science, and 71 per cent in environmental work.

Nearly half the Civil Service's science group staff is under 40, and about 55 per cent are less than 45.

Unless more opportunities for young scientists are provided by such means as projects, perhaps of limited duration, in industry, the Government report says, the blockages probably "cannot be solved over the next 15-20 years."

Workers given second chance to accept deal to save factory

BY RAY PERMAN, SCOTTISH CORRESPONDENT

WORKERS AT Lawson's of Dyce, the Aberdeen pork products factory which is threatened with closure are being given a second chance to accept a £3.5m deal. The 600 employees will be balloted on the issue.

Last week workers rejected an offer of a 12 per cent pay increase conditional on several

changes in working practice. It came from Northeastern Farmers and the Scottish Development Agency, who jointly want to take over the factory.

But unions have now been told by Mr. George Morley, managing director designate of the new company which would run the factory, that the pay and conditions offer must be

accepted as it stands if the rescue is to go ahead.

Shop stewards at the factory decided they would recommend acceptance and a ballot of employees is to be held. The results should be known on Friday.

Unilever, which owns Lawson's, has said it will close the factory if a buyer cannot be found.

Ulster faces second big fibre industry cutback in month

BY RHYS DAVID, TEXTILES CORRESPONDENT

ICI FIBRES is to stop production of polyester flat yarn at Kilroot in Northern Ireland. It will be the second big fibre industry cutback in the province this month.

The ICI cuts will be phased in during the second half of next year. They are being blamed on a combination of technical and marketing factors, including the surge in U.S. imports of polyester yarn into the British market.

Similar reasons were given by Courtaulds earlier this month for cuts at Carrickfergus, Larne and Maydown in Northern Ireland. A total of 650 jobs will be lost at these plants again as

a result of reductions in polyester filament output.

In a statement yesterday ICI pointed to substantial over-capacity in polyester filament—used in men's and women's knitted and woven underwear—since the mid-1970s. Prices had as a result been depressed and it had proved impossible to recoup higher oil raw material costs.

Neither ICI nor Courtaulds is reducing its total output of polyester filament as a result of the Ulster cutbacks. Production will be increased at other more modern plants where new equipment has been installed.

ICI is phasing out its Northern Ireland production to coincide with an increase in output at Pontypool, Gwent, where polyester facilities are being added alongside existing nylon plant.

Courtaulds has been introducing more modern polyester facilities at Letterkenny in the Irish Republic. This was planned in the early 1970s when continued rapid growth in the market was expected.

ICI said yesterday that the technological resources needed to run the new polyester plant already existed in Pontypool and it would be too expensive to duplicate them.

Under this, companies would disclose information and plans to the Government in return for promises of stable economic policies, including a realistic exchange rate and a reasonable return on investment.

But if the search for a new social contract failed, then legislation should be introduced. Mr. Radice does not dismiss the use of import controls, provided companies were monitored to ensure they were using the breathing space acquired to become more competitive.

Community Socialism by Giles Radice; Fabian Society, 65p.



Mr. James Murray: No answer to Ulster problems.

Greater stress on community politics

BY IVOR OWEN

A NATIONWIDE breakthrough at local government level is to be the primary electoral target of the Liberal Party over the next three years.

The Assembly set this objective after agonising over the danger that still greater emphasis on community politics could imperil the achievement of the wider national appeal needed to bring about the long awaited Liberal revival at the next general election.

Fears that undue concentration on securing the repair of cracked pavements would prevent Liberals lifting their eyes to broader horizons were swept aside by Mr. Cyril Smith, MP for Rochdale, in a speech which dominated a debate on party strategy.

With an optimism which matched the mood of most of the delegates he looked forward to the number of Liberals serving on local councils being increased by 100 next year, and to 500 Liberal county councillors taking office after the elections due in 1981.

Mr. Smith declared: "This party has got to get off its backside. We have got to get out and work now."

The rock, the firm foundation of any government, is local government, and the real found-

ation of any good political party is found not in its MPs but in its grassroots workers and its councillors.

A warning from Lord Wade, an establishment veteran who sat in the Commons for 14 years as MP for Huddersfield West, that the change in strategy might result in not enough attention being paid to the opportunities which might arise through Parliamentary by-elections, made little impact.

Mr. Smith insisted: "Community politics is not an alternative to party success nationally—it is the forerunner to it."

Mr. David Penhaligon, MP for Truro, scoffed at suggestions that greater priority should be accorded to the formulation of national policies.

Mr. Penhaligon reaffirmed that his main aim remained that of securing basic changes in the system of British politics so that people were listened to and effect given to their views.

"What I want to challenge most of all is the slick London-based professionalism—and no one has ever accused me of being that."

The new party strategy—embodied in a Young Liberal-inspired resolution—was overwhelmingly approved.

THE PROPERTY MARKET BY MICHAEL CASSELL

Second big South Bank inquiry

EUROPEAN FERRIES has moved to cut short what was developing into another long planning wrangle involving Lambeth Council in South London.

The group, which this week reported a £2.85m (£1.87m) first-half surplus for its financial and services division, has successfully called for a public inquiry into its own proposals for a £35m mixed development on the South Bank of the Thames beside Vauxhall Bridge.

Lambeth, not known for its love of commercial developments or developers, remains embroiled in the Coin Street planning inquiry marathon

further along the river and has been equally reluctant to give European Ferries approval for the group's own, more modest plans.

The group bought the site from Land Securities by tender for £400,000 in February 1977. Mr. Keith Wickenden, chairman of European Ferries, made the winning bid for the site, which was being sold by Land Sits as part of a clearance programme of land without planning permission.

When the group took possession, planning powers for the site rested with the Greater London Council but these were transferred to Lambeth, which then objected to the plans.

The scheme will comprise a 20-storey office tower providing 370,000 sq ft (gross), a development of riverfront apartments, shops and a sports complex.

Mr. Wickenden has no reservations about the attractions of a development in an area popularly regarded as a wasteland. "We've got three tenants lined up already for the office space, one of which even wants the flats as well," he said.

"Lambeth has not said it objects to the scheme in principle but has claimed, for instance, that the tower is too tall. This sort of criticism is hard to take when you realise there is already a similar tower a short distance away.

"The irony is that, along the road at the Coin Street inquiry, our proposals have actually been quoted by the council as the type of development which the South Bank needs. We shall ensure our own inspector does not miss the point."

The council's attitude towards the plan may have been mellowing but European Ferries has decided the quickest possible route is not by further negotiation but by an outright statement of its case to a higher authority.

The inquiry is to be held in November and Mr. Wickenden hopes that work on the site can begin in late spring 1980, if the decision goes his way.

Manchester rents upsurge depends on future of economy

THE LONG-AWAITED upsurge in Manchester office rents hinges on the impact the forthcoming economic recession may have on national and regional property values and rents.

After four years of struggling with over-capacity and sluggish rents the Manchester market looks potentially stronger than at any time since the last property boom.

The glut of empty offices left from that boom has been brought down to manageable levels and with no major speculative building planned for the city centre a shortage of space seems likely within two years.

This would suggest that rents are set to rise sharply—in line with the progress that has been made over the last six months in other provincial centres.

Manchester, of all the major provincial centres, provides perhaps the best example of how badly awry the property world went in the early 1970s.

Then, with confidence seemingly limitless, the city and outlying areas embarked on a major office building programme—so that between 1970 and the beginning of this year 3.4m sq ft of new offices was built in Greater Manchester.

There is still 600,000 sq ft of new office space available in the city centre, compared with an annual average take-up over the past few years of about 300,000 sq ft.

However, 150,000 to 200,000 sq ft of this remaining city centre space could still go in the remaining few months of this year—judging by a number of deals in the pipeline.

The biggest of these concerns Town and City's massive Ardwick shop and office complex, where ICL is considering taking 100,000 of the 350,000 sq ft of offices still available—the bulk has been on the market for two years.

The decision earlier this year by accountants Ernst & Whinney to take about 18,000 sq ft in National Westminster's Lowry House development—which had remained largely empty since completion 18 months ago—was regarded as an important turning point for Manchester's office market.

But rental growth over the past two years has remained sluggish because of the huge backlog of empty space.

Top rents for the most popular units of about 5,000 sq ft still average between £3.50 and £3.75 a sq ft—compared with £5 a sq ft recently achieved in Leeds, the most comparable rival regional centre. Like Man-

chester, it is ideally situated on major motorway links.

But agents Bernard Thorpe see no reason—barring ill effects from the forthcoming economic recession—why Manchester rents should not catch up on the levels achieved in Leeds.

Perhaps the best guide to future rents is the long-term view taken by Manchester City Council, which has agreed to pay £4.85 a square foot for the whole of Heron Corporation's 126,000-square-ft Albert Square development, due for completion in 1981.

Surprisingly, the large surplus of offices left after the property crash has proved quicker to clear in some of the outlying towns to the south of the city centre like Stockport, Wilmslow and Altrincham.

This partly reflects their pleasant environment and proximity to motorways but also the difficult parking problems in Manchester.

The situation has led to an almost absurd situation for a major city office rents in nearby Wilmslow, currently at about £4.50 a square foot, are considerably higher than those in the city centre. And rents in Altrincham and Stockport are either on a par with or not far behind city centre rents.

Andrew Taylor

Sir Horace's U.S. view of Dockland

SIR HORACE CUTLER, globe-trotting leader of the Greater London Council, this week returned from the U.S. with some new ideas on the development of Docklands.

Sir Horace, on a study tour to see how the Americans tackle the problem of inner city development, says the problems on the other side of the Atlantic are basically the same and the approach to solving them is in some respects similar. The main differences, he reckons, lie in the mechanisms used and in financing tactics adopted.

Next week Sir Horace will make his report to the council

and it would be surprising if many of his conclusions do not help formulate his strategy towards Docklands development.

He says a major difference in the U.S. is the lack of any attempt by government to persuade industry away from established centres.

"The emphasis is enabling individual states, such as New York, to establish agencies and make state taxation arrangements which will help existing business and industry to stay in town and give seed-bed support to new and developing industry and employment in the areas

where the people are," he said.

"Whatever the federal, state or city aid made available, its principal purpose is to lever funding out of the private investor by reducing his own risk," he added.

Turning his eye back to Docklands, Sir Horace claims that national funding must be available to share the risks and to attract the private sector funding required. Once made available, the local authorities concerned, and any other agencies given responsibility, must have maximum freedom in use of the finance.

"Next, there must be realism in relation to the value of land and, if generous taxation concessions are not available, peppercorn rents and similar devices must be used readily rather than sparingly."

In an optimistic call for wholehearted co-operation, Sir Horace said: "It is also vital that all the public organisations concerned should work together positively."

"Firm control and direction will then need to be in the hands not only of enterprising representatives of the private sector but also of individuals drawn from the local authority field."

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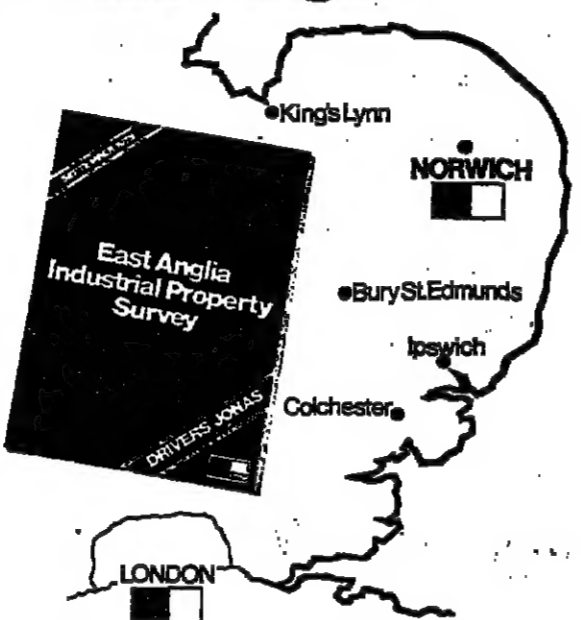
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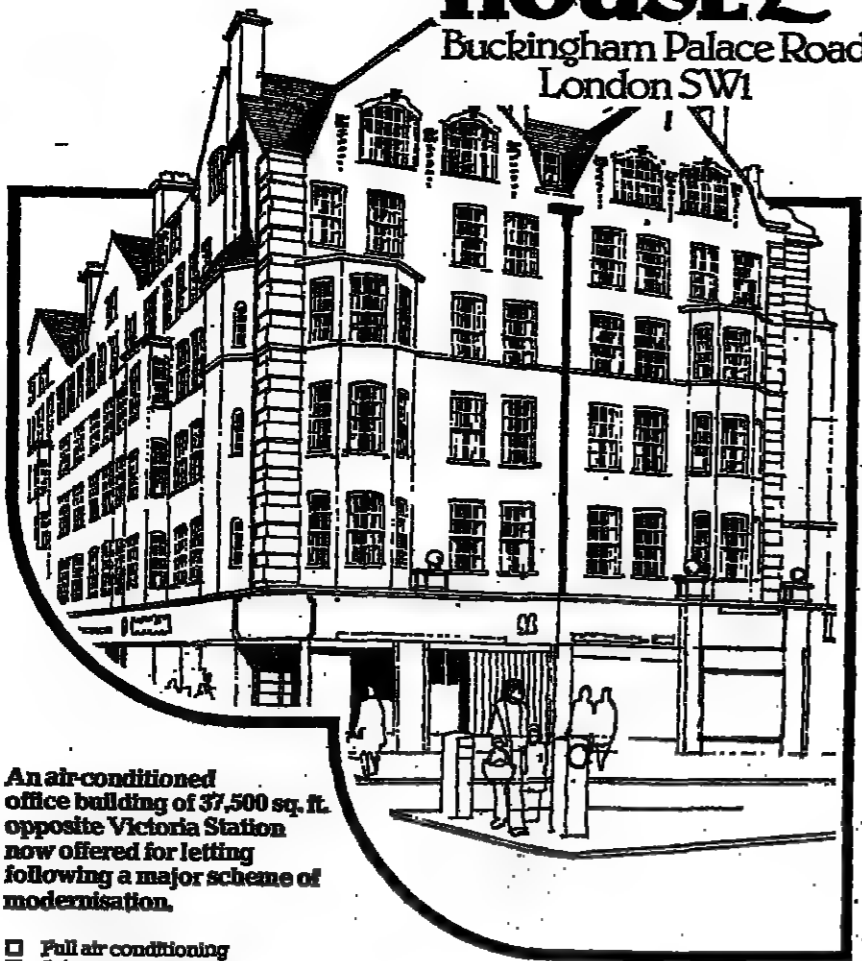
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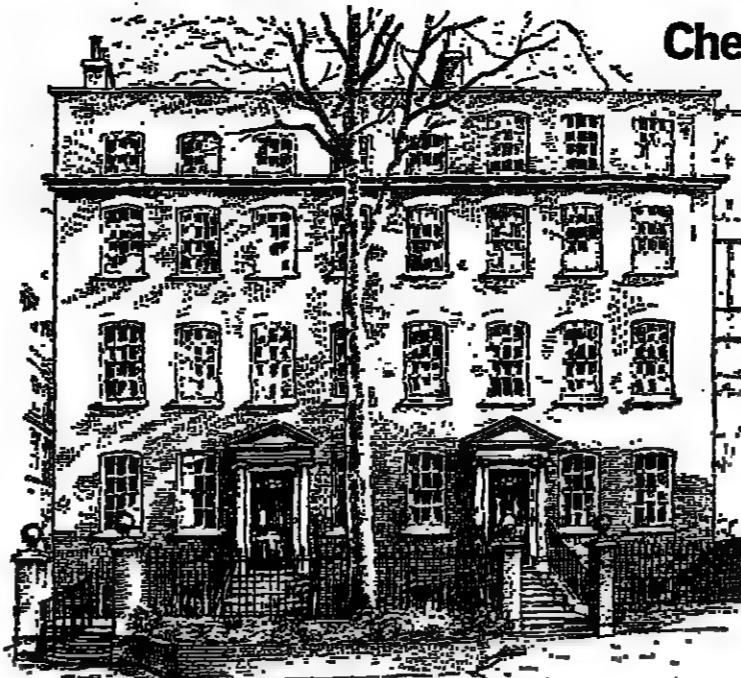
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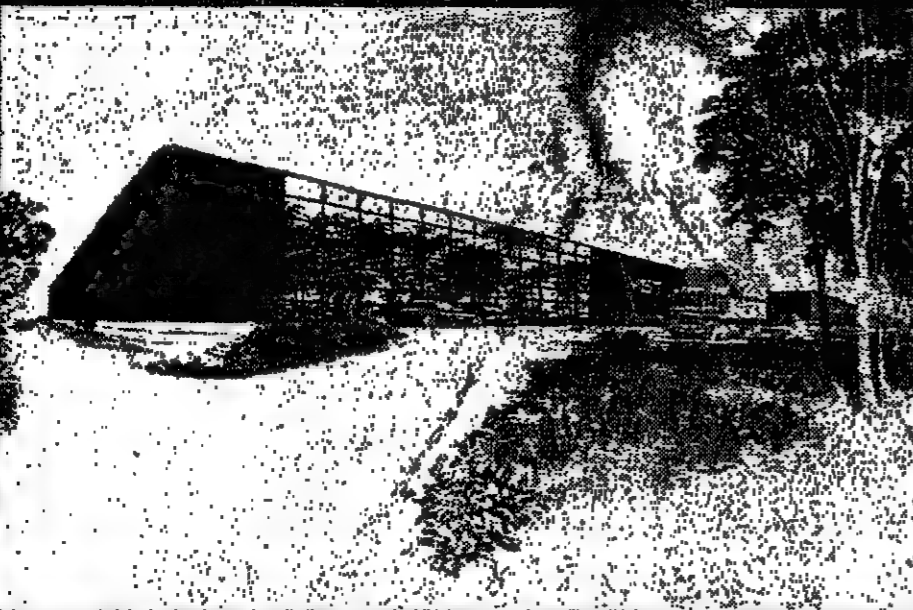
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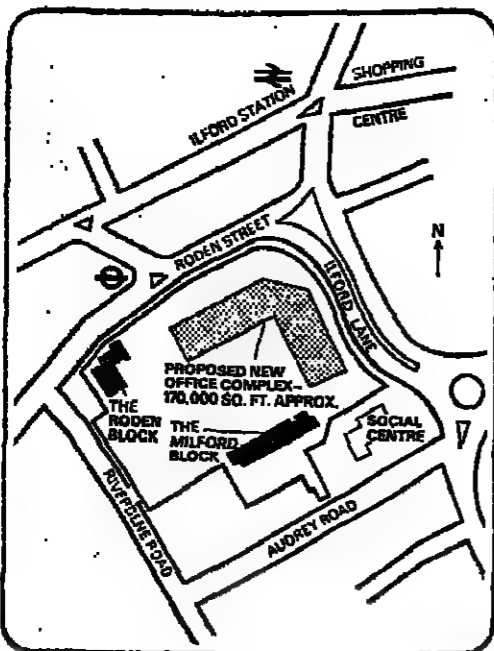
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and with Rover's low drag coefficient, the faster they cruise, the greater their competitive economy.

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	Acceleration	Top Speed	Constant 56 mph (90 kph)		Constant 75 mph (120 kph)	
	0-60 mph	mph	mpg	litres/100 km	mpg	litres/100 km
5-speed Manual						
2300	10.8 secs	114	36.8	7.7	31.0	9.1
2600	9.0 secs	118	38.2	7.4	30.2	9.4
3500	8.9 secs	122	36.3	7.9	27.9	10.1

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Complete Government Fuel Consumption Figures, Rover 5-speed manual: 2300: urban motoring 17.5 mpg (16.1 litres/100 km); constant 56 mph (90 km/h) 36.8 mpg (7.7 litres/100 km); constant 75 mph (120 km/h) 31.0 mpg (9.1 litres/100 km). 2600: urban motoring 18.5 mpg (15.3 litres/100 km); constant 56 mph (90 km/h) 38.2 mpg (7.4 litres/100 km); constant 75 mph (120 km/h) 30.2 mpg (9.4 litres/100 km). 3500: urban motoring 16.2 mpg (17.4 litres/100 km); constant 56 mph (90 km/h) 36.3 mpg (7.9 litres/100 km); constant 75 mph (120 km/h) 27.9 mpg (10.1 litres/100 km). 5-speed gearbox optional on the 2300.

This coupon will bring you full details of the Rover range. Please complete and send to:
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Reject ITV offer, key technicians are told

By Gareth Griffiths

THE ASSOCIATION of Cinematograph Technicians and Allied Technicians' negotiating committee last night advised its 6,000 members in independent television to vote against the companies' latest offer.

Mr. Alan Sapper, the union's general secretary, said the offer in no way met the union's demand for a substantial pay increase to offset the erosion of members' living standards in the past five years. The companies' formula for cost-of-living payments meant that members would be worse off in two years when the deal ran out, he said.

Mr. Ronald Carrington, labour relations adviser to the Independent Television Companies' Association, puts the value of

the two-year offer at about 37 per cent.

Some indication of the mood of the union's members will be given tomorrow when its London Weekend branch meets to consider the offer. Union officials last night expected the membership to endorse their stand.

A previous offer, worth 35 per cent, according to the companies, was rejected by the union's television branch on Monday by 84 votes to two.

Results

The results of the voting should be known by the end of next week. The ITV companies have seen the ACIT as the main union to be won over during the

dispute, which has blacked out screens for seven weeks.

Mr. Jack Wilson, general secretary of the National Association of Theatrical, Television and Kine Employees, has sent out letters to his ITV members outlining the terms of the offer, with no recommendation. He also expects a result by the end of next week and predicted that if the union's results were all favourable, the offer would be back on the air by October 4.

The latest offer is 15 per cent backdated to July 1, with a cost of living allowance (maximum 5 per cent) next January, and 10 per cent in July 1980 with a further cost of living increase (maximum 6 per cent) in January 1981. The payments would all be consolidated.

Reception warms for bank staff proposal

By Nick Garnett, Labour Staff

THE STAFF association at the National Westminster Bank said yesterday that the second Johnson report on formation of a staff representation structure for the English clearing banks appeared more acceptable than previous proposals. There were still considerable outstanding objections.

The association, which many bank and union officials have felt the most uncompromising on some issues, is particularly pleased with the second report's emphasis on domestic banks carrying out certain functions under any new structure.

It is happy with the recommendation from Dr. Tom Johnston, chairman of the Scottish Manpower Services Commission, that geographic restructuring should be instituted only if it was felt necessary once the new structure was operating.

A geographic basis is a feature of the organisation Banking, Insurance and Finance Union, which with three bank staff associations is involved in the talks. It tends to cut across the principle of domestic autonomy for staff bodies in the separate banks, a principle supported by the staff associations.

Mr. Bob Carthy, general secretary of the National Westminster association, said proposals involving the umbrella body's TUC affiliation, included in the Johnson proposals, would not necessarily prevent the staff association's executive recommending acceptance of these proposals to its members.

A ballot earlier this year showed considerable opposition to TUC affiliation.

The difficulty for the National Westminster staff association still hinges on domestic autonomy, and Mr. Carthy again emphasised that he wanted separate certificates of independence for the domestic units as well as for the Clearing Bank Union and the umbrella body.

Domestic autonomy has been one of the principal stumbling blocks, and a prime reason for pessimism by some bank and union officials about the talks' outcome.

The staff associations at Barclays and Lloyds, while taking a similar position to the National Westminster, have been more optimistic.

The three associations and the Banking, Insurance and Finance Union are due to resume talks next week.

Agreement on conductive concrete

By Our Labour Correspondent

MARCONI HAS signed a contract whereby the Pich Marketing Company of Gillingham, 134-138, Borough High Street, London SE1 1LB, a Simon Engineering subsidiary, is to manufacture and to market under licence the product Marconite. Marconite will provide the world-wide technical back-up that handling Marconite requires.

Marconite, developed by engineers of Marconite Communications Systems, is important in the field of electrical conductivity. Used in concrete construction work, in place of more normal aggregates, it produces concrete and concrete of normal compressive strength with a wide range of resistivity values. It thus offers the possibility of permanent earthing,

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

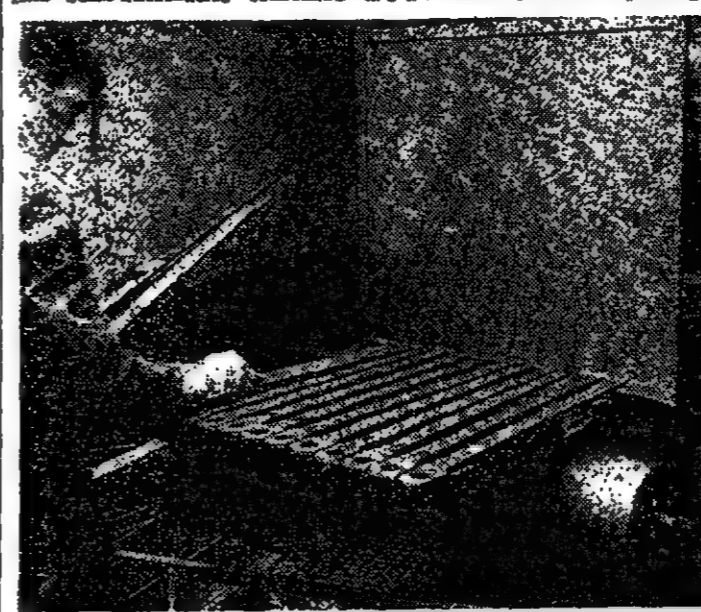
WELDING

Robots are taking the arduous jobs

LATEST OF the 16 robot welding units from ESAB installed in Britain, illustrated below, is up and working at Midhirst Road, Newcastle, in the production of a large number of heat exchangers. It is being used, among other jobs, to weld handbrake levers and, on these, produces tight radius circular welds practically impossible to do in quick succession by any other method.

Success with this installation underlines the way in which these intelligent robot welders are catching on all round the world. Last year, ESAB delivered a total of 45 units and this year expects to install 65. The installed or on order book is now over the 120 mark with six believed to be earmarked for the U.S., though the marketing campaign there did not start till about five months ago.

There are a number of reasons why the idea is attracting so much more interest, one of which is that welding has traditionally been an area with a low degree of sophistication when it comes to mechanisation and automatic equipment. Robotic welding fills the gap between expensive custom-built machines and more general purpose semi-automatic equipment.



MATERIALS

Agreement on conductive concrete

protection from the hazards of static electrical charges, and microwave frequency screening.

Marconite has been available commercially for two years and such has been the interest generated in its unique properties that it has become necessary to handle its production and marketing through a suitable agency. Pich Marketing is the agency chosen and a first large order, for 30 tonnes to provide a 600 square metre anti-static floor base, has already been received.

Marconite is a granulated electrically conductive aggregate which replaces normal concrete fine aggregates such as natural sand, permitting electrically conductive concrete to be designed by applying conventional concrete technology.

DATA PROCESSING

Freight cost compared

IN THE belief that many exporting companies are not really able to tell when it becomes cheaper to send their products by air rather than by surface transport, British Caledonian is at the moment evaluating a computer system designed by McDonnell Douglas to provide the answer after a few minutes of data entry to a simple terminal linked to computers in the U.S. over a time-sharing service.

If the airline finds the system to be satisfactory, it intends to use it to help customers make a decision about use of air freight on the routes it flies. The service will probably be offered free of charge through cargo agents.

One of McDonnell Douglas's claims is that companies shipping goods do not appreciate that surface journeys taking a relatively long time are in effect tying up money in stock in motion, and that at some value per pound carried, the extra cost of airfreight can be more than offset by the reduction in stock.

The difficulty in arriving at a conclusion is that many variables apart from the journey length are involved. Not only do they have to do with the cost of the goods, but also with the time taken to get the goods to the customer, and the time taken to get the goods back.

Mr. E. M. Boughton has been appointed marketing director from October 1 at WESTON HYDRAULICS, a member of the Butterfield-Harvey Group. He succeeds Mr. P. Siddons, who has been appointed director of B-H Machinery, with particular attention to that company's new product developments and sales.

Mr. F. W. Buckley has been appointed chairman of BRITISH TAR PRODUCTS in place of the late Col. P. H. Lloyd.

Mr. Gordon Patterson, deputy general manager (finance) of GUARDIAN ROYAL EXCHANGE ASSURANCE, a member of the Butterfield-Harvey Group, has been appointed director of B-H Machinery, with particular attention to that company's new product developments and sales.

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Mr. F. W. Buckley has been appointed chairman of BRITISH TAR PRODUCTS in place of the late Col. P. H. Lloyd.

economical operation with smaller batches.

ESAB has disclosed at the Weldex 79 Exhibition in Birmingham's NEC that, apart from the units in Britain, there are 27 in Sweden, 15 in West Germany and 11 in Holland, while nine machines are being used in subsidiaries or for research purposes and are not covered in the overall figures.

Many fabrication requirements are being covered, but in the list, the automotive industry and its sub-contractors lead; their shares being 25 and 20 per cent respectively. However, this is a recent development as this particular industry has reacted more slowly than anticipated. In the last six months, automotive offtake has totalled 19 units.

On over three-quarters of the installations so far, plate thickness handled is less than 4mm—the robots used can cope with loads of up to 150 kilos, or up to 500 kilos and there is a large variety of torches and three types of positioners to be chosen from.

While automotive is developing rapidly as a major customer, some 60 per cent of users belong to groups with less than 500 employees, and 23 per cent to companies of less than 100. Smallest of all, in Germany, has only eight staff.

Nevertheless, robot welding is still in its infancy and ESAB and ASEA (which supplies the robots) are working towards optimised equipment that will tackle any job. That there is a vast area to exploit comes from a study made at London University by Mr. F. O. Nordio, which indicates the market potential in Britain alone at 8,000 units.

Further information from ESAB at Seething Way, Gillingham, Kent (0634 34455), or in Gothenburg, Fack S-40270, Sweden.

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AUTOMATION

Rugeley, Staffs, England

Controls for industry

MACHINE TOOLS

Drills three deep holes

WHAT IS claimed to be the first three spindle deep hole drilling machine in the UK, supplied by Rockwell, has gone into the GEC Generators factory at Larnie in Northern Ireland and is expected to give a near three-fold increase in productivity for the work.

Worth nearly £1m, the machine is a DIAG-Herman Kolb HTB 11 and at Larnie it is used to drill holes up to one metre deep in tube plates for high pressure heaters used in the electricity supply industry.

It has one main spindle driven at 70 kW and two secondary spindles powered at 35 kW, with maximum drilling pressures of 5,000 and 200 kg respectively.

Longitudinal movement of the spindle heads is 4,000 mm, vertical travel 3,000 mm and spindle traverse 1,100 mm. Each axis has an individual dc motor which permits rapid traverse rates of up to five metres per minute.

More from TI Rockwell, Welsh Harp, Edgware Road, London NW2 (01-452 0033).

Machining of cams

CAMS AND similar shapes can be produced with high precision by the Castor milling machine now being manufactured in Switzerland by Tornos SA.

This machine will mill parts with diameters up to 430mm and it is especially designed to produce cams for automatic lathes and other types of cam-operated machines.

The machine has two milling spindles assembled on a slide which moves horizontally. It is controlled by a mini-computer which does the necessary geometry and generates impulses for the step motors controlling the spindle motions. Data for the computer is entered manually via a keyboard or by means of tape.

The machine is being marketed in the U.K. by Tornos Bechler Petermann U.K., Newton Works, 51 Bideford Avenue, Perivale, Greenford, Middlesex (01-997 7282).

PROCESSES

Blasts off the graffiti

APART FROM its generally accepted use for cleaning concrete from mixers, removing rust from metal, and cleaning walls, boat hulls and similar difficult-to-deal-with surfaces, sand-blasting is now being used to remove graffiti.

As the last problem is on the increase on both private and public buildings, sufferers may welcome a low-price sandblasting unit (215) available from Wickham Industrial Equipment, Norton Road, Stevenage, Herts. (0438 4041).

This will contain 70 kilos of sand, is mounted on two rubber tyres wheels, and is equipped with a 5 metre hose and special trigger controlled injection lance fitted with a variable valve to control the supply of sand.

The abrasive used is graded dry granulated quarry sand or fly ash from power stations, and the consumption rate varies between 50 kilos to 120 kilos per hour depending on the adjustment of the sand control.

Fastening is safe and cheap

ALTERNATIVE TO power actuated screw, welding and self-drilling/tapping screws is a purpose-designed, precision-engineered method for fixing difficult-to-fasten substrates, introduced to the UK by BIF British Industrial Fastenings, Gatehouse Road, Aylesbury, Bucks (0296 81341).

This tool is portable, hand-held and air-powered, and drives a fast hard, pin-type fastener for fastening metal, metal, steel to concrete, steel to timber, etc.

Said to be five to ten times speedier than alternative methods, the BIF-Pneutack gives up to 1,200 in-place fixings an hour.

can make Pressure Gauges in over

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Union seeks shipyard pledge

By Ray Perman, Scottish Correspondent

SHOP STEWARDS at Robb Caledon, Dundee, said yesterday that they will demand an assurance that shipbuilding is retained in the city as the price for ending industrial action that has trapped four vessels in the yard.

Robb Caledon is the only UK yard still basing overtime and bonuses. Workers have rejected British Shipbuilders' proposal that shipbuilding should end and the yard be put on a care-and-maintenance basis with a view to seeking work for the offshore oil industry.

Three bulk carriers for Poland and a New Zealand cement carrier are being held at Dundee.

Yesterday the negotiating

committee of the Confederation of Shipbuilding and Engineering Unions met the shop stewards and agreed to approach British Shipbuilders again to put new proposals for keeping the yard open.

The proposals are to be put to a meeting of all the 1,100 workforces. Mr. Bob Barry, confederation secretary, said a minimum condition would be the retention of shipbuilding at Dundee.

Stewards' anger

The shop stewards have been angered by the yard management's decision not to continue with a tender for an £11m emergency support vessel for BP's Magnus field. Preliminary designs, prepared at the yard,

have been sent on to Smith's Dock, Middlesbrough.

Mr. Barry said that the stewards would not accept "care and maintenance," which was merely another name for closure. Nor would they discuss a reduction in the size of the work force.

"We do not talk of redundancy here, either voluntary or any other kind. It is dirty work," he said.

Mr. John Chalmers, chairman of the Confederation of shipbuilding committees, told the stewards that to continue their industrial action would weaken their case to keep Robb Caledon open. But Mr. Ken Baker, confederation president, said no pressure had been put on the shop stewards to lift the action.

Hospital 'sit-ins' planned to baulk closure moves

By Gareth Griffiths, Labour Staff

with closure because of public spending cuts might be occupied by their staff, the 215,000-strong Confederation of Health Service Employees, the largest union of National Health Service staff, warned yesterday.

Mr. Albert Spanswick, the union's general secretary, said the occupations might happen in areas where closures were contemplated and might involve several hospitals throughout the country.

When there is evidence that any health authority is contemplating the closure of a hospital, which is not in the interest of the public and which would adversely affect health care in that area and our members' jobs would be at risk, we will consider occupying that hospital," he said.

Mr. Spanswick, chairman of

the TUC's health services committee, said that his union had the support of other NHS unions in organising a campaign of occupation.

It might start within a fortnight with the St. John's Hospital at Blackheath, scheduled for closure by the health commissioners running the Lambeth, Southwark and Lewisham area health authority.

COHSE emphasises that the occupations would be made to protect the public and patients from cuts that would mean increased waiting.

The national executive committee decided yesterday to give financial support to the campaign. That accords with the union's conference decision in June to resist "with all its might" any cutting of its members' jobs.

New 17% offer to be put to gas staff

By Our Labour Correspondent

AN IMPROVED pay offer worth 17.18 per cent on the wage bill will be considered by representatives of 45,000 gas industry white-collar staff next week.

The offer was reached after 12 hours of negotiations that ended early yesterday between British Gas and the National and Local Government Officers' Association (NALGO). It comprises 14.12 per cent on rates, which include consolidated productivity payments backdated to July, followed by a further 2 per cent in January.

NALGO said yesterday that it was receiving indications of solid support for a one-day strike on Monday by its 45,000 members. The strike is part of a programme of action in support of a 24 per cent pay claim. The universities have offered 3.9 per cent.

Another 550 jobs in steel to be cut

FINANCIAL TIMES REPORTER

BRITISH STEEL CORPORATION disclosed yesterday that 550 jobs are to be lost in Derbyshire, as Vickers Group announce a decision to close its heavy engineering plant at Scotswood, Newcastle-upon-Tyne, after a year of union campaigning to keep it open, during which 700 posts have vanished.

Newcastle and Tyne and Wear Councils, which contributed £5,000 each to a fund to keep the Vickers plant open, are still trying to interest industrialists in taking over the factory. They have stipulated that the site must be used for industry.

The British Steel cut will affect the Stanton and Stavely works at Stanton, near Ilkley.

Full-time trade union officers called for a prompt meeting with management to protest against the decision.

Stanton and Stavely says that the cut in spending by the gas and water industries and the strength of the pound overseas have contributed to a deterioration in business.

Retirement

Mr. Don Newton, Midland regional officer of the white-collar union NALGO, said that the unions would fight to protect the interests of their members at the works. Management, staff and manual-grade posts were being cut.

Altogether 330 manual workers will lose their jobs and 220 management and supervisory staff will go.

The group said that it expected that much of the proposed reduction in workers might be accomplished through early retirement and voluntary redundancy.

The group's other factories at Stavely, near Chesterfield, Holwell, near Melton Mowbray, and Addiewell in Scotland will not be directly affected by the job losses.

Mr. Newton gave a warning, however, that the results of public spending cuts will spread throughout the whole of the economy and create further extensive unemployment in the future.

● The British Steel Corporation also announced plans yesterday to cut 400 of the 2,800 white-collar jobs at its Llanwern works in South Wales.

The Corporation wants the redundancies to take place by next March and is to open detailed talks with unions shortly. It hopes to achieve the cutback as far as possible by early retirement, redeployment and other voluntary means.

APPOINTMENTS

Board members at Allied Breweries (UK)

Three group executives of ALLIED BREWERIES have joined the Board of ALLIED BREWERIES (UK). They are Mr. Harvey Allen, sales director national brands; Mr. Bernard Frost, managing director of Tetley Walker; and Mr. Tony Wardle-Norbury, managing director of Joshua Tetley and Son.

The following appointments have been made to the Board of GRANADA TELEVISION: Mr. Robert Carr, a director of Granada Group who is to become deputy chairman of the Group on October 1, rejoins the Board on which he served from 1967-70; Mr. Michael Scott, programme controller since 1977, becomes a member of the Board on taking up his position as programme controller; Mr. Leslie Young, chairman of J. Bibby and Sons, joins the Board as a non-executive director.

Mr. Arvin Scott has been appointed manager of the new LONDON ASSURANCE SOCIETY being opened at 4 Harley Street, W.1, on October 1.

Mr. Austin Lowe, deputy chairman, Gibbons Brothers, has been elected chairman of the IRON AND STEEL PLANT CONTRACTORS' ASSOCIATION. Mr.

T. M. Sneddon, director of finance, Davy International, Iron and Steel Metals Division, has become a vice-chairman of the Association.

Mr. Stuart Frost has been appointed regional service manager of EMERY AIR FREIGHT responsible for all service in the UK, Ireland and South Africa. Mr. Nick Townsend has become lead agent and also acting supervisor of the company's customer service department.

Mr. Chris Saunders has been appointed sales director of WATTS FLUID POWER, of Stroud, Gloucestershire.

Mr. Jim Leak, chief executive of HEATHROW FORWARDERS BOND, has resigned from the company to be a consultant in the industry. He is being retained by HFB to further certain special projects.

Mr. John G. Perks has been elected chairman of CONCENTRIC in succession to Mr. Denis F. Dodd who has retired from that position. Mr. Perks continues as chief executive.

Officers elected by the ASSOCIATION OF PENSIONER TRUSTEES are Mr. Geoffrey N. Polston (chairman), Mr. Tor Green (secretary), and Mr. Brian Tate (treasurer). Other appointments to the committee

are Mr. John W. Selley, Mr. Norman D. Freethy, Mr. Max Lander, Mr. Fraser Low, Mr. Cyril J. Southouse and Mr. Derek W. Thomas.

Mr. D. V. Davies is to join MICHAEL LAURIE AND PARTNERS as a consultant. Mr. Davies is retiring next month as assistant managing director and from the Board of Town and City Properties.

Mr. George J. Seila has been elected president of AMERICAN CYANAMID Company, which he joined in 1954.

Mr. Brian Cudby and Mr. Barry Fudge have been appointed as directors of BIS SOFTWARE and Mr. Melvin Haskins has become an associate director.

LOVELL CONSTRUCTION GROUP has made the following appointments to Boards of companies in the group from October 1. At Lovell Homes Western, Mr. Peter Davis, chairman, Mr. Tony Williams, managing director, Mr. Bob Berry, technical director, Mr. Phil Green, surveying and finance director, and Mr. Ken Morgan, sales director; Lovell Developments, Mr. David Wilson, managing director; Lovell Housing, Mr. Nick Wale, director; Lovell Plant Hire, Mr. Peter Aylett, director; Y J Lovell Group Services, Mr.

Harry Smith, director; Farrow Construction, Mr. Vanger West director, while remaining a director of Farrow Northern.

Mr. E. M. Boughton has been appointed marketing director from October 1 at WESTON HYDRAULICS, a member of the Butterfield-Harvey Group. He succeeds Mr. P. Siddons, who has been appointed director of B-H Machinery, with particular attention to that company's new product developments and sales.

Mr. F. W. Buckley has been appointed chairman of BRITISH TAR PRODUCTS in place of the late Col. P. H. Lloyd.

Mr. Gordon Patterson, deputy general manager (finance) of GUARDIAN ROYAL EXCHANGE ASSURANCE, a member of the Butterfield-Harvey Group, has been appointed director of B-H Machinery, with particular attention to that company's new product developments and sales.

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LOMBARD

Borrowing on lenders' terms

BY NICHOLAS COLCHESTER

COULD THE decision of International Business Machines to raise \$1bn through the issue of fixed-rate bonds herald a new era of borrowing in the U.S. corporate bond market? The news of this vast financing, when the entire spectrum of U.S. interest rates is supposed to be at, or close to, its high reminds some British observers of ICI. Back in 1970 the big British chemical company raised long-term money at the rash-looking rate of almost 11 per cent. Shortly afterwards the corporate bond market in the UK went into a coma from which it has yet to emerge.

Floating rates

This may appear a strange reflection at a time when the whole banking world is talking about a "borrower's market" in dollars. But this borrower's market is very much on lenders' terms. Certainly spreads on loans may be coming down and maturities may have got over longer. But the bulk of today's dollar lending is at floating rates and these small erosions in borrowing terms are of minimal importance when compared with the basic fact that borrowers must increasingly shoulder the interest rate risk themselves. It is becoming steadily harder to find investors ready to commit dollars for 10 years at a rate which a commercial borrower will accept.

One view is that the floating rate has kept capital flowing at a time of great uncertainty about future rates of dollar inflation. The investor wants to anticipate the worst and get a high yield, while the borrower wants to pay a rate consistent with a more optimistic scenario. If uncertainty is great they cannot reconcile these two attitudes, so they agree upon a commitment to supply long-term funds, but at a floating rate of interest.

Others would argue that this way out is too easy and that it actually contributes to the problem it purports to solve. It is, for instance, one of the lesser-known facts of West Germany's monetary self-discipline that the Bundesbank is rigorously opposed to the emergence of floating rate lending in D-Marks. The Bundesbank feels that floating rates of interest are tantamount to indexation, and therefore acceptance, of inflation. In its view floating rates

are a self-perpetuating mechanism to ensure that the investor is always adequately compensated for the erosion of the value of what he is lending. Meanwhile the borrower merely feeds the increasing cost of finance into the price of what he produces.

German banks have upon occasion succumbed to the desire of international investors to provide D-Marks at a floating rate of interest. They have been sat upon by the Bundesbank for issuing the necessary instruments. The latest published infringement was that of the Dresdner Bank. Other German bankers concede that this is a useful discipline. "Make the investor take the risk; and if he is not willing to commit funds short, then so be it," says an executive of the Westdeutsche Landesbank emphatically.

The inference is that if the soft option is removed long-term borrowers and lenders will arrive at an acceptable compromise for long-term finance, even under uncertain circumstances. Or that if they don't, this will restrain investment plans in a way which will automatically tend to arrest inflation.

Purist approach

Understandably, at a moment when its first public bonds are still unsold, IBM is not talking about its financing strategy. The purist approach to long-term investment may have played some part in its decision to float bonds—the company needs to make a massive investment in new plants at the moment. But not so long ago IBM also floated bank loans, so its main concern may well be to raise money in whatever way it can. A senior executive of Manufacturers Hanover Trust says that the driving force behind the present, buoyant state of U.S. loan demand is the desire of U.S. corporations for long-term floating rate funds for investment in fixed assets. Why haven't these corporations gone to the bond market? If the U.S. is headed for an era of British-style stagflation, IBM's experience could well show them, later, how they missed out. And the feeling could well grow that the floating rate finance for which they opted was part of the reason why.



ROCHDALE

NOT VERY far from the centre of Rochdale the grim mix of housing and industry, characteristic of many such older urban areas in the North West of England, is starting to take on a softer appearance.

In the shadow of the tall mills which still dominate the area around Crawford Street new housing has been going up and sites prepared for industry. Elsewhere, factories are getting a coat of paint as well as greatly improved access for trucks and better parking. The pubs are acquiring new beer gardens, and the once derelict canal bank has been restored with a new towpath and trees.

The changes in this 50 hectare area, all part of an imaginative approach to inner urban problems, adopted by Rochdale, the advantages of which have been outlined in a recent study requested by the Department of the Environment. The aim of the study was to see if the Rochdale experience contained useful lessons for similar decaying areas.

One of the most successful achievements of Rochdale's programme, according to the consultants' report, is that it has made possible the provision of

nearly 3 hectares of land to 19 companies already established in the area, enabling them to re-organise or expand production or to improve their on-site facilities. This in itself is expected to generate private sector investment of £700,000, secure 400 jobs, and possibly lead ultimately to the provision of 100 further jobs. The land assembly carried out in the area also means there is room for more firms to move in. Altogether an additional 4 hectares is being made available and if industrial development takes place as expected a further £1.76m could be spent by incoming firms, creating possibly 500 more new jobs.

Improvements

Just as important, confidence all round has been boosted by the visible improvements that have taken place. Residents are benefiting from the greater separation of housing and industry, while industry now knows that it has secure future in the area. This has been achieved at a cost so far, if land acquisition is excluded, of under £1m.

For both industry and housing it has been a rather uncomfortable co-existence over recent years and the area has become somewhat rundown. Altogether the area sup-

ported around 50 firms, the majority of them in engineering and textiles but including others in food manufacture, vehicles, paper, printing, metal manufacture and construction. For many of these companies, however—90 per cent of them owned and controlled in Rochdale—cheap factory space and access to the surrounding labour force were offset by other disadvantages. Space for expansion was limited and access for vehicles and parking was poor. The residents, too, were naturally unhappy at the use of their roads by heavy lorries and the evidence of decline surrounding them.

The Crawford Street area might well have seemed a natural candidate for comprehensive clearance but such a move would have meant the break-up of a settled community or the loss of many of the 2,000 or so jobs in the area. Many smaller companies would either have been unwilling or unable to make the transition to other sites, and would have closed down.

Instead at the initiative of Mr. Dick Hargreave, the town's then planning officer, Rochdale council decided to see whether the already tried General Improvement Area principle—comprehensive up-grading of housing areas in co-operation with local residents—could be

extended to cover a mixed industrial and residential area. For the task Rochdale had at its disposal no new powers and for funds has been able to call only on existing sources of finance, including the various Government schemes for aiding employment and urban renewal. The biggest contribution came from a special fund Rochdale itself set up, using rate money, for promoting environmental improvements throughout the borough.

The individual schemes have all been relatively limited in scope but together they have begun to change the appearance of the area. A plot of open space, Robinson's Common, is being altered in shape and slightly increased in size with housing concentrated on one side and industrial premises on the other. Elsewhere money from the Job Creation Programme, together with derelict land grants, has been used to restore the town's main shopping street in some disused branches to create land for industry.

On another site a lease has been taken by a pension fund to develop small factory units in association with a private developer.

The exercise has important lessons for other local authorities, some of which have since declared their own industrial improvement areas. Much of the success of the project has

stemmed from close collaboration between the council and existing firms. This made it possible to identify individual firms' requirements and design schemes fitted to their needs and financial capacities. The cross-party support within the council for the scheme was also a major factor.

Experience has inevitably shown that some aspects might have been ordered differently. Finding a pragmatic way of dealing with the old mills in the area seemed to have presented the most intractable problem. More too could perhaps have been done for companies requiring very cheap accommodation. It is also suggested that the pace of new industrial development might have been more rapid if better marketing techniques had been employed.

Lost status

The project is still only half completed—the schemes now under way form part of what was originally envisaged as a five-year programme of time remains for some of these points to be taken up.

A more serious problem for the borough is posed by the cuts in Government expenditure. Rochdale has lost its intermediate area status and

although the position has not yet been clarified it seems likely that extra funds which the area has been able to claim for derelict land clearance will be withdrawn, together with aid under the Local Employment Acts.

Other weapons at the borough's disposal, including the Community Land Act, will also be removed. Rochdale is hoping some of the gaps can be filled through the creation of a new Enterprise Trust. This body, modelled on a similar exercise in St. Helens, will seek to put the resources of the community as a whole behind employment-creating ventures. Such a development would in fact represent just one more step in the substantial programme of self-help Rochdale has generated for itself, helping the town to secure an unemployment rate significantly below the North West as a whole.

It is a record which is perhaps not too surprising. The town's independent spirit dates back to the last century when the first Rochdale Pioneers founded the Co-operative movement.

"Time for Industry. Rochdale Industrial Improvement Area (incorporated in 1978), 100 Years On. The Pioneers, the first Rochdale Pioneers, founded the Co-operative movement."

Tyrnavos to win emphatically

THE MOST exciting feature of today's Ascot programme is the reappearance of Tyrnavos, in the seven-furlong Robert Trophy Stakes. This colt by Blakeney, out of the Derring-Dore mare, Stubb, is half-brother to Tromos and Tachypous.

There was no mistaking his potential on his first outing in the Ribbles Stakes at the Doncaster St. Leger meeting. That race was won by Thousandfold.

RACING

BY DOMINIC WIGAN

a colt by Fort, sent over from Ireland by Vincent O'Brien, who scored by three-quarters of a length from Dalsaan, a highly regarded youngster from Michael Stoute's Newmarket stable. Tyrnavos was a head above third, and I fully expect

him to win emphatically this afternoon.

In the Morston Stakes, Esmark can be expected to give an improved showing. Although unlikely to be a classic prospect next year (he is by Hot Spack, out of mare by Gratitude, thus bred for sprinting on both sides of his pedigree), he was a good winner of a race for newcomers at Sandown 11 days ago.

I expect him to be too good for Jawad and the consistent Star Flare, though a market move for the unraced Cragador, an American-bred colt whom Harry Wragge trains for Sir Philip Oppenheimer, could be significant.

Millerva, a vastly improved filly, will be bidding for her sixth consecutive win in the Taylor Woodrow Charity Handicap. Though carrying a 7lb penalty as a result of her most recent victory at Doncaster, she is sure to go well again. But I doubt her ability to contain Head Hunter, who, after running Hardgreen to a neck at Sandown, divided Connaught Ranger and Bonnie Nile over one and a quarter miles at Kempton three weeks ago.

Red Rufus, who is in good shape, is suggested for the Leverton Handicap. I like the look of Pluvial in the Flam-borough Stakes at Redcar.

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TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.05 For Schools. 11.35 You and Me. 11.40 For Schools. 12.05 Peppermint. 1.00 Peppermint. 1.05 Peppermint. 1.10 Peppermint. 1.15 Peppermint. 1.20 Peppermint. 1.25 Peppermint. 1.30 Peppermint. 1.35 Peppermint. 1.40 Peppermint. 1.45 Peppermint. 1.50 Peppermint. 1.55 Peppermint. 2.00 Peppermint. 2.05 Peppermint. 2.10 Peppermint. 2.15 Peppermint. 2.20 Peppermint. 2.25 Peppermint. 2.30 Peppermint. 2.35 Peppermint. 2.40 Peppermint. 2.45 Peppermint. 2.50 Peppermint. 2.55 Peppermint. 3.00 Peppermint. 3.05 Peppermint. 3.10 Peppermint. 3.15 Peppermint. 3.20 Peppermint. 3.25 Peppermint. 3.30 Peppermint. 3.35 Peppermint. 3.40 Peppermint. 3.45 Peppermint. 3.50 Peppermint. 3.55 Peppermint. 4.00 Peppermint. 4.05 Peppermint. 4.10 Peppermint. 4.15 Peppermint. 4.20 Peppermint. 4.25 Peppermint. 4.30 Peppermint. 4.35 Peppermint. 4.40 Peppermint. 4.45 Peppermint. 4.50 Peppermint. 4.55 Peppermint. 5.00 Peppermint. 5.05 Peppermint. 5.10 Peppermint. 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THE ARTS

Cinema

A soldier's tale by NIGEL ANDREWS

Woyzeck (AA) Paris Pullman, Phoenix East Finchley
 Roekers (AA) Screen on the Green, Classic Victoria, Ace Brixton, Ace Upton Park
 Man of Marble (U) Academy
 The In-Laws (A) Warner West End, Classic Oxford Street, ABCs Fulham Road, Bayswater and Edgware Road

Werner Herzog's *Woyzeck* gives us Klaus Kinski, the skull-faced German actor who played Herzog's Aguirre and Nosteratu, as the title hero of Georg Büchner's 1836 play-fragment, here adapted for the screen. That three-way collision of artistic forces should be enough to make you drop everything and rush off to buy tickets. Herzog, Kinski and Büchner are three enigmatic figures who in the cathedral of European Art have gouged out eminent niches for themselves, topped by gargoyling grins, in the chapel of the Romantic-Grutesque.

Büchner's play, a scorching cry of absurdity and despair, delivered some 50 years ahead of its time, tells of a German soldier whose bewildered and blockish innocence makes him the butt of everyone's jokes and exploitative cruelty in the small town where he lives. His wife Marie flirts freely with a handsome officer, his Captain, who is a frequent finger at him for "thinking too much," and his Doctor uses him as a human guinea-pig, subjecting him to a diet of peas to see how long he can survive on insanity. Woyzeck reacts to them all with a mixture of obedience and unrelenting resentment until the catalytic moment when discovery of Marie's infidelity punishes him to murder.

Woyzeck is Neanderthal man with a thin covering of developed emotions. He is neither hero nor anti-hero—rather a chunk of raw humanity almost as unaltered and unrefined as Büchner's own play, which he left behind (dying at



Klaus Kinski and Eva Mattes in 'Woyzeck'

23) as an unfinished scatter of fragmented scenes for later generations to sort into order. Herzog's movie has kept close to the published text, a speculative chronologisation of Büchner's scenes, and close also to the theatrical spirit. It may disappoint Herzog fans looking for another romantic apocalypse, a seven-veils dance of mysticism from the director of *Fata Morgana*, *Aguirre* and *Heart of Glass*. But it won't disappoint Büchner fans, for one could hardly imagine a better movie rendering of his masterpiece.

Shot in a lakeside town in Czechoslovakia (the film was made back to back with *Nosteratu*, and both movies show the birth of anarchy in a picture-pretty petit-bourgeois town), Woyzeck moves along in bright blocks of tableau-like narrative. The separate scenes

are marked off almost as severely as in the play—Woyzeck Shaves, The Captain, Woyzeck is Harassed By The Doctor, Woyzeck Discovers Marie's Adultery—and Klaus Kinski's poker-faced performance keeps perfect pace for most of the film with the artfully metronomic tempo. Clicking his heels like a toy soldier and peering over his inner agony with an all-purpose grin, Kinski is a spirit in bondage to formality right until the moment when the murder—shot by Herzog in slow motion to the accompaniment of a distorted and hideous waltz tune—releases him and at last tears and jags the film's decorous rhythm.

The film's air of the theatrical, or even of the televisual (static camera setups and close and medium shots), is unabashed. But Herzog has clearly decided that Büchner's claustrophobic vision is better served by a close-fisted concentration of effects than by the facile lure of "opening out" the play. Woyzeck may not please those hoping for another visionary tour de force from Herzog the mystic, but it's a fine testament to the resilient skills and versatility of Herzog the film-maker.

You would be mad to miss *Rockers*, a gloriously off-beat Jamaican film which confers instant cinematic immortality on the West Indian Rasta and Reggae culture. If the world hasn't caught up with you of late, you may not know that Rasta is the name for the current Caribbean movement—part cultural, part religious—which worships Haile Selassie as the personification of the Almighty, wears pigtail like

frizzy octopus tentacles and salutes the world with heady doses of Reggae music.

"Rastafarians" also have their very own argot, to help with the deciphering of which this film kindly supplies subtitles. The story of *Rockers* is a piece of casually run-up neo-realist melodrama about a Reggae drummer who falls foul of the Big Boss at the club where he works and tries to marshal his fellow Rastamen in a retaliation against the forces of "Babylon" (Rasta-language for the corrupt establishment).

But the story hardly matters. The film lifts and breezes along on its recreation of Jamaican street life, spiced with music and with the crazed syntax and vocabulary of the Rasta patois. The constant backing of reggae songs—with their deep bass and sweetly jogging rhythm—turns the routine story into a kind of hip tropical ballet.

Writer-director Theodore Belfrage keeps a steady pulse going through the film, even when the "plot" accelerates to take in lively fight scenes, and he pegs its rhythm chiefly to the lanky, loopy off-handedness of Leroy "Horsemouth" Wallace as the hero. This jaunty-legged scarecrow has the permanent look of a man woken with a shock from a hangover and his voice mimics even the Rasta patois into a cheerfully gabbled incomprehensibility all his own. He's a natural star.

Andrzej Wajda's *Man of Marble* is a bit of a plod, albeit through some picturesque terrain. This 160-minute Polish tale of a female film-maker who

tries to reconstruct the life and character of a Stalinist worker whose fallen statue she discovers one day in a museum vault, is like an overextended Iron Curtain Citizen Kane. We learn that the said worker was a Shakhonovite in the 1930s—one of those who set the pace for industry by personal example—and that his national fame as a record-breaking brick-layer (with his team he laid 30,000 bricks in one working session) gave way to a sudden (and scandal-caused?) obscurity whose source our heroine tries to discover.

The film effectively dovetails "live" footage, set in both the '50s and the '70s, with black-and-white newsreels viewed by the lady film-maker during her research. The two stories—her own life and that of her subject—are cross-cut, offering some telling correspondences between Poland then and Poland now. (Notably in the continuance of bureaucracy as a tool for oppression.) But the film has a tendency to state the obvious and then to state it again. "Human epic" is written all through—from the resonant title to the daunting running time—but the content never quite swells to fill the monumental form.

Alan Arkin's face is a Custer's Last Stand of emotional stoicism. Attached by panic on all sides, those deadpan features and intently motionless eyebrows are the funniest portrait of concealed hysteria in modern American cinema. Only Buster Keaton ever had a more immobile face than Arkin, and even Keaton never had to hold at bay quite so many simultaneously assaulting emotions as Arkin in *The In-Laws*.

He plays a New York dentist whose daughter is about to marry the son of a wealthy but demented-seeming CIA agent (Peter Falk). In the days leading up to the wedding, Arkin is taken into Falk's confidence and finds himself reluctantly caught up in a CIA scheme to deal with an international money-minting plot. Leaving his patients to languish indefinitely in the waiting-room, he is whisked off by Falk to Central America to meet a mad dictator (Richard Libertini), to face a firing squad, to be saved, and then to find himself on the possible receiving end of forgery charges.

Scripted by Andrew Bergman (who wrote *Blazing Saddles*), the film has at least twice as much verbal wit as the average crime-caper comedy, and Falk's sly, sardonic charm finds its best big-screen role in years. But it is Arkin who sticks in the memory. Exploding ironically across the screen, his cries of fear and bewilderment are all the funnier for issuing from a face fixed permanently in a shell-shocked rictus of impassivity.



Rachel Davies, Ron Cook and Julie Waters

Hampstead

Ecstasy by B. A. YOUNG

Ecstasy is devised and directed by Mike Leigh, the programme says. I understand that the company worked the play out at rehearsals after being given a theme, and the resultant script was solidified for non-emergency playing.

The company have produced some good dialogue in the tape-recorder style, and they act nicely enough. But clearly they had no idea how a play should progress. In a short first act, Val (Rachel Davies) breaks into a bedroom where her husband Roy (Ron Cook) is seducing an unwilling Jean (Sheila

Kelley), and fights him no brisily that poor Jean's bed loses two of its legs.

In a second act spanning two hours, Val and Roy are forgotten. Jean is entertaining an old friend, Len (Jim Broadbent), when Dawn (Julie Waters), whom we met briefly in the first act, enters with her Irish husband Mick (Stephen Rea). The four of them settle down to a "session" in which they gossip, sing and drink until they are all asleep and so was I. Mick (Rachel Davies) breaks into a bedroom where her husband Roy (Ron Cook) is seducing an unwilling Jean (Sheila

to adultery but is also driving her to drink.

I am frankly tired of plays about working-class people who do nothing but drink, copulate and swear. This is a specially poor example, for the characters clearly have no life at all off the stage. There are occasional references to their poverty, but they consume endless beer, gin and vodka, and Len has a Corina. Their existences start and finish with their entrances and exits, like characters in a bad farce. This might have mattered less if they were not so relentlessly rubbed in our faces.

Gracie Fields

Dame Gracie Fields, probably the most popular British entertainer of the 1930s and '40s died yesterday in Capri, her home for 30 years. She was 81. "Our Gracie," born over a fish and chip shop in Rotherhithe, never lost the common touch and was regarded as a quintessentially English performer, even though she rarely visited her homeland in recent years. However she returned to Rochdale a year ago

to perform in the theatre named after her. Gracie Fields, real name Grace Stansfield, had the rare talent of moving an audience from tears to laughter in seconds. Her first success was in the music hall with her songs of common life, sometimes humorous, sometimes rather maudlin, but she reached a wider audience as a film actress in the 1930s and firmly

cemented her hold on the British public during the War when she toured the world entertaining troops. As a singer-comedian she had few rivals and the songs she immortalised, "Sally," "The Biggest Aspidochelone in the World" and "Bless This House," will be a living memorial. She married three times and is survived by her husband of 17 years Boris Alperovici. A.T.

Coliseum

Aida by RONALD CRICHTON

Verdi's *Aida* is so much a part of the operatic landscape that one forgets that as far as major London companies are concerned the work has been Covent Garden's preserve: Wednesday's new production by the English National Opera was the first by that organisation since pre-war Sadler's Wells days. Then a "company" *Aida* modestly staged and decently sung (one remembers the Amneris of Edith Coates, like a bunch of hot snakes, was acceptable. Today's public has been spoiled by cast after international cast and a succession of recordings—not to mention, at least in the most recent Covent Garden production, lavish staging.

The ENO offers a company performance at least partly on an international level in a staging with nearly as much visual razzle-dazzle as Covent Garden's. The result, on Wednesday, was uneven and uneasy. John Copley's production started well with the action of the early scenes swiftly and smoothly sketched in. But it soon became clear the set by Stefanos Lazaridis (which has some good features like the panels covered with hieroglyphs) was anchored too firmly and too far forward to a central, sloping ramp budding the action front-stage, in a way (as we know from the Ring) useful for Wagnerian dialogues but oppressive for less intimate occasions such as the Amneris-Radames duet in *Aida*, and vocally and visually cramping for Verdi's big ensembles.

In the costumes gold, or rather tinselly gilt, predominates. Some are individually handsome, but the lighting, tactlessly pouring down from above, catches the gold on helmets, headresses, shoulders, even the rims of thrones, obliterating singers' features (only *Aida* herself, more plainly dressed, escapes) and even in one ensemble rendering the set did not do so, that sometimes (but not always) obscured the words and occasionally caused problems of intonation. One or two passing strains in the Nile scene were mainly due to inept accompaniment. Dramatically the portrait—shy, slinking, animal-like yet full of fierce dignity—was admirable. Very sensibly, Mr. Copley kept his *Aida* at the front during the big ensembles so that her voice could, and did, dominate.

The Amneris of Elizabeth Connell, though the middle of the voice was not projecting easily, had moments of splendid vocal intensity. During the first three acts Miss Connell's features were a sweet, secret smile, like an English lady who had arranged a brilliant marriage for her daughter. In the last act she was abruptly transformed into an Egyptian Elektra—more convincing, in the circumstances. The Radames of Tom Swift looks tolerably martial and his voice has metal as well as ring. His performance is not melting, but there is much to be thankful for. The Amneris of Neil Howlett provided the most consistently Veridian singing of the evening—another time he will surely leave an ounce or so more in reserve for "Pensa che un popolo."

Edmund Tracey's new English translation seemed a mixture of happy phrases and others either too stilted or too conversational. When more is audible there may well prove to be greater consistency. The off-stage priestess in the temple was unromantically near. The choreography of Terry Gilbert is determinedly anecdotal, falling over backwards to make the dancing part of the action. With the formal ballet music Verdi writes in act 2 such an attempt is unlikely to succeed. With some adjustment of the visual side this production may still make an adequate framework for the long succession of performances no doubt foreseen.



Josephine Barstow

Leonard Burt

sensitive way that gave pleasure. Other pages were nervous or flaccid. The dances had little charm (Arrau's recording of Liszt's *Aida* paraphrase for piano shows exactly what was missing at this performance). The orchestral playing was variable.

In the title-role Josephine Barstow performed a feat on the scale of her Elisabetha in *Don Carlos*, her passionate commitment, intelligence and sense of style overcoming a method of voice production that seemed doomed to lead to tightening, yet did not do so, that sometimes (but not always) obscured the words and occasionally caused problems of intonation. One or two passing strains in the Nile scene were mainly due to inept accompaniment. Dramatically the portrait—shy, slinking, animal-like yet full of fierce dignity—was admirable. Very sensibly, Mr. Copley kept his *Aida* at the front during the big ensembles so that her voice could, and did, dominate. The Amneris of Elizabeth Connell, though the middle of the voice was not projecting easily, had moments of splendid vocal intensity. During the first three acts Miss Connell's features were a sweet, secret smile, like an English lady who

Festival Hall

Sarbu and Schiff

Harry Blech and his London Mozart Players had two guest soloists on Wednesday, in a rather too generous programme. When I left after Mr. Sarbu's Dvorak Violin Concerto, there was still Mendelssohn to come; and we had begun with substantial Haydn—the Symphony in D, no. 96, in a performance more cheerful than precise.

At 23, the Romanian violinist Eugene Sarbu is a triumphal veteran of many competitions, including the Carl Flesch in London last year. He produces an even, singing tone, and was not tempted to force it during Dvorak's *mittel-Europäisch* revelries; his fluency in soaring arpeggios is striking, though his intonation is not faultless (there were sour octaves last night). The chief distinction of this performance was his poised restraint in the Adagio, heart-felt but not heart-on-sleeve. The Finale began with a promising lilt, but the shifty furiant rhythm needs to be kept taut, and unfortunately the rapport between conductor and soloist grew ever vaguer as the movement progressed: a shambles was avoided, but it was a near thing.

The pianist Andras Schiff is already a familiar London visitor, and his exquisite *sotto voce* account of Mozart's F major Concerto, K.459, was what one expected. There was edgy ensemble in his final movement, too, but more quickly cured. Schiff's line was always etched with the utmost delicacy, and his ornaments were impeccably elegant. Once or twice a pianissimo left hand sounded mannered, and a whole counter-subject was so tactfully reticent as to be imperceptible. The performance was sweetly persuasive nonetheless, and Blech and his players supplied a lively and sympathetic (if not very close) accompaniment.

DAVID MURRAY



group results for the six months to 31 July 1979

The sale of Van Allen and its consequent exclusion from the 1979 results, coupled with other acquisitions and disposals, make comparison with 1978 difficult. Principal reasons for the reduction in profits are exchange rate movements, higher interest rates and a downturn in trading in July.

While prospects in major overseas operations appear reasonable for the remainder of the year, the final outcome for the Group will be greatly influenced by exchange rates and the buoyancy of the UK retail market in the final quarter. It is unlikely to represent an improvement on 1978/79.

Despite the present profit performance, the Board is confident that the changes which have been made in the composition of the Group, together with others under review, justify continued improvement in dividends.

The Board has declared an increased interim dividend on the Ordinary shares of 1.1p (1978 1.0p), absorbing £1,949,000. The dividend will be paid on 4 January 1980 to shareholders on the register at the close of business on 30 November 1979.

sales to outside customers 1979 1978

£'000 £'000

190,450 194,371

trading profit before interest 11,244 11,828

profit before taxation 6,417 8,038

profit after taxation 4,231 4,952

profit attributable to ordinary shareholders 3,421 4,395

If you would like to know more about us please write for a copy of our current Report and Accounts.

Tootal Limited 56 Oxford St Manchester M60 1HJ

FOOD PRICE MOVEMENTS

	September 27	Week ago	Month ago
BACON†			
Danish A.1 per ton	1,180	1,180	1,180
British A.1 per ton	1,180	1,140	1,140
Ulster A.1 per ton	1,160	1,140	1,140
BUTTER†			
NZ per 10 kg	13.20/13.37	13.20/13.37	13.20/13.37
English per 10 kg	17.67	17.67	—
Danish salted per 10 kg	18.35/18.47	18.35/18.47	17.55/17.66
CHEESE†			
English cheddar	—	1,610	1,450/1,510
Irish cheddar	—	1,481.03	—
Danish cheddar	—	1,370/1,405	1,340
EGGS*			
Home produced:			
Size 4	4.10/4.25	4.20/4.40	4.20/4.40
Size 2	4.60/4.50	4.60/5.00	3.90/4.00

	September 27	Week ago	Month ago
BEEF			
Scottish killed sides	60.0/65.0	60.0/65.0	62.0/67.0
ex-KKFC	48.0/46.0	48.0/45.0	42.0/44.0
LAMB			
English	52.0/57.0	52.0/56.0	56.0/60.0
NZ PLS/PMS	47.0/49.5	47.0/49.5	48.0/50.0
PORK			
All weights	38.0/46.0	36.0/47.0	35.0/44.0
POULTRY			
Oven-ready chickens	38.0/44.0	36.0/44.0	40.0/44.0

* London Egg Exchange price per 120 eggs. † Delivered. ‡ 20 kg rimless blocks, delivered, per tonne.

FINANCIAL TIMES

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Friday September 28 1979

No way to save jobs

AT a time when 3.4 per cent of the workforce in London is unemployed, the buses, underground, commuter trains and postal system are failing because of acute staff shortages. Yesterday the Manpower Services Commission published a report on staff shortages, attributing them to poor manpower planning by employers, low pay, inadequate training facilities and lack of housing. These are all serious impediments to the efficient functioning of the labour market.

But more eloquent testimony on this problem has been provided this week by two industrial disputes. On Wednesday passengers at Paddington were held up by a strike called by the National Union of Railwaymen to protest against new working arrangements for 50 men in the parcels office. Yesterday London Transport train drivers rejected a scheme, which had been agreed by their national union officials, to introduce one-man operation on underground trains.

Worse off

The tragedy of these disputes, and dozens of others like them, which occur in British industry every day, is that the workers are prepared to protest, obstruct and ultimately strike, over nothing. The railwaymen striking at Paddington will not gain a single penny if they win and the management abandons its plans to alter manning. All that will happen is that other parts of Paddington Station, which are currently short of staff, will continue to be undermanned and customers will continue to suffer. If the tube drivers win, they will be significantly worse off, since they will forgo the £7 a week in bonuses that their union has negotiated for them in exchange for allowing one man to do one man's job.

If the workers "lose" in these disputes, what sacrifices will they be forced to make? No jobs are at risk either at Paddington or in London Transport. All the men from the office dealing with incoming parcels at Paddington will be transferred either to outgoing parcels or to the passenger service, which is chronically short of staff. They will not even have to move to another location or work more unsocial hours. London Transport's drivers have been given firm guarantees that one-man operation will be introduced gradually, without any redundancies. Even if they do not trust the

management, London Transport's employees could hardly be worried about losing their jobs, when every train they drive carries advertisements calling for desperately needed extra staff.

Unfortunately many trades unionists are under the influence of the manifest irrationality of some of the collective actions which their unions force them to undertake. A sort of altruism is, after all, at the heart of trades unionism. The railwayman who refuses to move from one part of the Paddington parcels office to another may do himself no good, but he may believe that he is thereby leaving a job open for one of London's unemployed.

Perhaps it is more realistic to assume that the underemployed railwayman who refuses to fill a vacancy may believe that the existence of over 10,000 vacancies in British Rail's staff will persuade the management to increase wages. Indeed higher wages are the ultimate solution to the problem of unfilled vacancies. But it is only possible to pay higher wages by increasing revenues. And the way to increase revenues is to improve the service and raise output. British Rail has stated explicitly that its plans for increasing productivity depend solely on raising traffic, rather than on cutting staff. Thus the unions' resistance to more rational working practices actually reduces employment, as well as keeping down real wages and undermining the standards of service.

Confusion

When the broader consequences of unreasonable union actions are explained by governments, economic commentators, or managers, the unions suddenly disappear. The truth seems to be that Britain's trades unions are in a state of confusion about their functions, their methods and their ultimate objectives. Lacking a clear sense of direction, without any faith in their own "alternative economic policies," worried about the "threats" posed by technology, riven by petty organisational squabbles and inter-union disputes, they are left with only one aim—to preserve the status quo wherever they can, irrespective of the costs to their members and the country as a whole. A conservative trades union movement, deeply suspicious of all change, can be as damaging to the economy as any "revolutionary" group.

Elections in Pakistan

THERE IS a widespread belief in Pakistan and abroad that if a free election were now held in the country the military regime of President Zia-ul-Haq would be thrown out. It is evidently a belief that General Zia shares. His hints on Tuesday that the general election scheduled for mid-November might have to be postponed were based on the hope that one day he would hear argument that the nation's ideology and integrity could be under threat.

More to the point is that General Zia fears that an election could result in the return to power of the Pakistan People's Party (PPP) for the execution of whose former leader, Mr. Bhutto, the regime is widely held responsible. In further postponing it he risks exacerbating the divisions of an already unhappy country and of lighting a torch to a popular movement of street agitation that could eventually overthrow his regime in a wave

Popularity

Under General Zia's original schedule elections were to have been held 90 days after he took power in a coup in July 1977. But the timetable slipped once it became clear that a Mr. Bhutto back on the campaign trail would bring to account those in the army who had overthrown him. Neither Mr. Bhutto's trial on a murder charge nor the White Papers that the government published to record his misdeeds in power had the sought-for effect of diminishing his popularity.

Not surprisingly his execution last year earned him a martyr's crown. The opposition parties who in 1977 welcomed army intervention and the deposing of Mr. Bhutto, have since withdrawn their support as General Zia has repeatedly put off elections or so manipulated the terms on which they would be held that they could no longer conceivably be deemed fair. As a result General Zia's regime has grown increasingly isolated within the country. It is possible that his own position is becoming more isolated within the army.

From the risk of military intervention was that it would simply muffle without solving the political problems that have haunted Pakistan since independence and which demand a political solution. General Zia has been no more successful than the three military regimes before him—or indeed previous civilian administrations—in finding a satisfactory balance between the demands of the provinces for more autonomy and the claims of the central government for sufficient power to hold the country together.

He has imposed on the country a fundamentalist interpretation of Islam which, even though Pakistan was founded as a Moslem state, many Pakistanis find so extreme. His regime has brought the army—which has traditionally believed that it has a special role as defender of the nation's integrity—into disrepute by the oppressiveness of its rule.

The prospect of continuing instability in the country is a disturbing one for the west because of Pakistan's obvious strategic importance at a time of upheaval and uncertainty in Iran, Afghanistan and the Gulf. General Zia would like the west to see Pakistan as a friend on whom it can count in such circumstances—and there are many in the west who would like to think of Pakistan as such.

Distrust

General Zia's regime is further distrusted abroad because of its attempt—over which there is little doubt in spite of official denials—to gain a military nuclear capability. The U.S., which otherwise would like to aid Pakistan, has in protest cut off aid.

Other western governments, whether because of doubts on this score or over the regime's political and economic policies are also stalling over the rescheduling of Pakistan's overseas debt repayments. All this unfortunately exacerbates the regime's difficulties and the country's isolation. But General Zia should realise that military rule is prolonging the impasse and that elections are preferable to provoking the power of the street.

Peter Riddell, Economics Correspondent, previews next week's IMF/World Bank talks in Belgrade

A note of oriental fatalism about the world economic outlook

THE world is condemned to another few years of rapid inflation, sluggish output and high unemployment and there is little that any government or policymaker can do about it. That is the predominant view among the finance ministers, central bankers, officials and commercial bankers, assembling in Belgrade this weekend for next week's joint annual meetings of the International Monetary Fund and the World Bank.

This note of almost oriental fatalism is coupled with considerable nervousness following the renewed currency crisis of the last few weeks. There are unlikely to be any grand plans or recommendations coming out of the week apart perhaps from a further push forward for the idea of a substitution account to take dollars out of circulation (as discussed in the accompanying article). But this will not inhibit gossip, speculation and informal discussion. Indeed, there is likely to be considerable debate among and between officials and bankers about the best way of dealing with the problems posed by the rise in oil prices and the approaching recession.

The current widespread pessimism is in marked contrast to the cautious optimism of a year ago. The hope then was that the industrialised countries might be heading if not for a faster overall growth rate then at least for more evenly balanced expansion with consequently smaller current account surpluses and deficits. Some of these hopes have been fulfilled in the sense that the rate of economic growth by the U.S. has slackened while the current account deficit has fallen while the surplus of West Germany has dropped and, in the case of Japan, disappeared entirely.

Yet this limited progress has been overshadowed by a deterioration in the overall economic outlook. The resurgence of inflation and the beginning of the recession, especially in the U.S., predated the Iranian revolution and the sharp rise in oil prices. However, the increase in energy costs has significantly aggravated these difficulties.

The result is that the overall rate of output growth has started to slacken and the rate of consumer price inflation has accelerated back into double figures in the big industrialised countries. But the gloom should not be exaggerated. This is not a repeat of the mid-1970s.

The Bank of England—not a naturally optimistic commentator—said in its recent quarterly bulletin that the wage-price spiral was unlikely to be as marked as in 1974-75. This is partly because labour markets are now much tighter and partly because governments appear to be taking a tougher stand against inflation. Similarly, the slowdown in out-

put may also be less marked than in 1974-75. Apart from the smaller size of the latest oil price increase in real terms, it has not come in the wake of a strong synchronised economic upturn, nor is there generally a speculative build-up of stocks to be reversed as in the last recession, though the latest U.S. statistics have started to reveal substantial inventory accumulation.

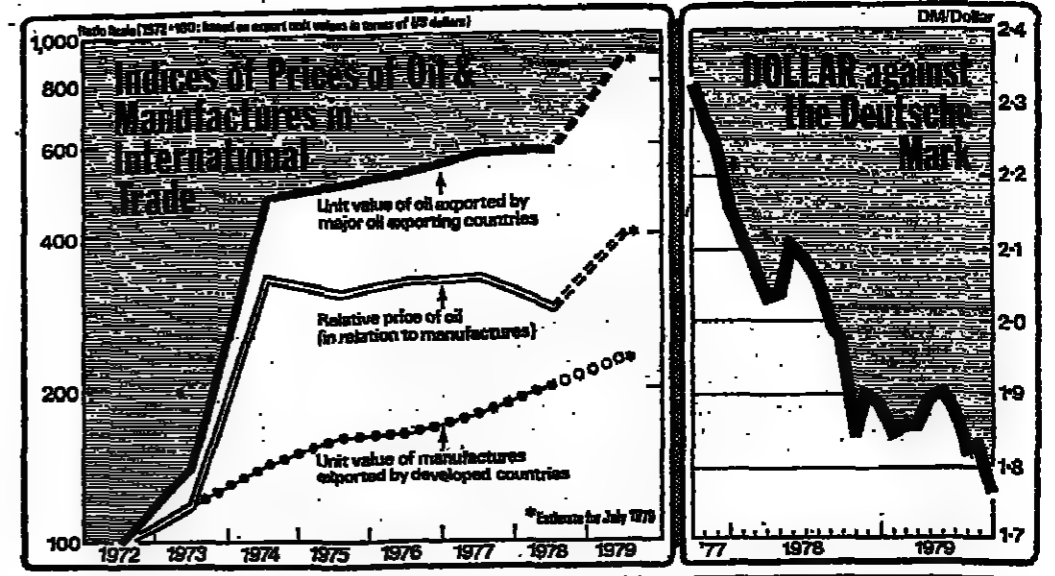
But all this is of scant comfort since it means a continuation of what is inelegantly known as stagflation. Comment on the possible policy response the recent IMF annual report noted that "gradualism as an approach to the reduction of inflation and inflationary expectations has been too gradual—in many countries, to the point of no reduction at all."

However, it would also appear that governments have in practice no alternative but to stick with the established strategy and... try to make it work more effectively. This "many-sided strategy" is seen as involving traditional monetary and fiscal instruments along with suitable incomes

policies and increased emphasis on measures to effect structural adjustments.

This view has, however, been questioned by the Secretariat of GATT (General Agreement on Tariffs and Trade) in a recent report on trade prospects. The report argues that the conventional approach tends to immobilise policy-making since it is believed that any economic stimulus would pose the risk of increased inflation while resolute anti-inflation action might increase unemployment. GATT argues that this reflects a mistaken belief that current problems are due to a failure of aggregate demand rather than to problems of supply. Hence "the macro-economic policy impasse is due to an analytically ill-founded view of the short-term costs, in terms of lost employment and output, of a more determined anti-inflationary policy."

A less clearcut view is likely to emerge from next week's discussions. In contrast to the international meetings of the 1975-78 period there are likely to be no recommendations to particular countries to take



PAYMENTS BALANCES ON CURRENT ACCOUNT

	1973	1974	1975	1976	1977	1978	1979
Industrial countries	19	-4	25	7	4	33	10
More developed primary producing countries	1	-14	-15	-14	-13	-6	-10
Major oil exporting countries	6	48	35	40	32	6	43
Non-oil developing countries	-11	-30	-38	-24	-21	-31	-43

Source: IMF

particular actions—no more "convoys" or "locomotives." Instead much of the discussion is likely to concentrate on the problems of the non-oil developing countries which may be particularly hard hit by both the rise in oil prices and the recession. The problem is not only the expected size of their current account deficit—more than \$40bn forecast by the IMF for 1979 against \$31bn last year—but also the constraints of the substantial external debt accumulated to finance deficits of more than \$140bn in the past five years.

The situation varies enormously from country to country. Some larger ones which are rapidly industrialising—such as Brazil and North Korea—are relatively well-placed, but others, including some smaller developed countries, are having to use an increasing proportion of their export earnings to pay debt interest. In recent years these countries have found it easy to borrow abroad and indeed it is still a borrowers' market with the world's major banks eager to lend.

The increase in oil prices has meant that the oil producing

states have more money available to finance the higher deficits of the less developed countries. But the recycling process is far from perfect and the already large indebtedness of some countries has led to worries about the position of both borrowers and lenders. There has been a good deal of discussion about ways of instituting caution. This has become involved with the debate about whether there should be closer regulation of international banking. This involves both controversial suggestions about the desirability of controlling the Euro-markets and more widely accepted ideas about closer supervision for prudential purposes.

In contrast to the growing involvement of the banks with the less developed countries, the IMF's role has not been as great as it might have wished. Most countries prefer to raise money from the commercial banks rather than go to the IMF in view of the conditions and close scrutiny of policy involved in any sizeable IMF loan. The result is that the IMF's loan facilities are at present underused and plenty of money is available.

The snag is that many countries only go to the IMF under duress when they are in considerable financial difficulties—for example Turkey and Zaire—and major and unpleasant policy changes are required. This has led to lengthy discussions about the need to improve links between the banks, the IMF and borrowing countries. These talks have focused on suggestions about exchanging information but so far little has been achieved because the borrowing countries have been reluctant to allow information collected by the IMF to be shown to commercial banks.

The IMF is certainly trying to extend the scope of its lending away from solely short term finance for temporary balance of payments difficulties. It is no longer lending for longer periods in recognition of the medium to long term nature of the current account problems of some less developed and smaller industrialised countries. But the IMF is likely to play a less central role than some of its supporters would like.

The substitution account gains ground

By JUREK MARTIN, U.S. Editor

THE SUBSTITUTION account is an idea which has been kicked around international financial circles for many years but whose time, it appears, has now come. With the United States now having finally withdrawn its objection to the plan in principle, next week's IMF meeting will authorise a detailed blueprint of the workings of the scheme to be drawn up for formal presentation at next spring's meeting of the IMF's interim committee in Hamburg. Disagreements still persist over some of the technicalities but it is thought these can be reconciled during the next six months and a new, enhanced role for the IMF introduced into the international monetary system.

The substitution account is a simple concept, but complex to execute and with potentially far-reaching implications. Under it, countries wishing to diversify their reserve holdings would deposit unimpaired currencies (in effect, the U.S. dollar and receive, in return, an interest-bearing claim on the IMF denominated in Special Drawing Rights, the IMF's "paper gold" currency instrument.

The virtues of the substitution account—essentially, it allows countries which feel more vulnerable because of large reserve dollar holdings at a time of monetary turmoil, the switch from dollars to an SDR-denominated bond offers greater security; those who believe that the cause of monetary stability would be enhanced by a wider role for the SDR can also take satisfaction.

Those who oppose the creation of still more international liquidity in an inflationary era can accept the fact that the substitution account—unlike IMF quota increases or special issues of SDRs—does not do this.

Its virtues are more potential than actual. There is the fear that in condoning a gradually reduced reserve role for the dollar the U.S. will feel commensurately less obliged to pursue international economic policies. There also remain misgivings about further handing over the role of the IMF as international banker. Mr. Anthony Solomon, the U.S. Treasury Under Secretary, remarked last month that it was not presently "politically realistic" for the industrialised world to contemplate

ceding national authority over economic policy to an international body. But he added, pointedly, that sooner or later the issue would have to be faced.

The IMF could take one huge step in this direction were the substitution account to be opened to private as well as official holders of foreign currencies. There is a school of thought inside the IMF which, while acknowledging the large risks of such an operation, inevitably resulting in closer connections with the commercial banking sector, believes that this bullet is better bitten now than later. But from a political as well as practical standpoint, the account is more likely to have a relatively modest beginning, confined to the official governments.

There are clear dangers in creating an account that is either too small or too big; if the former, it will make only a negligible contribution to international monetary stability, if the latter—and if fully used by member nations—it could have too revolutionary an impact for the battered, existing system to absorb. Official foreign exchange reserve holdings in May stood

at SDRs 231bn (nearly \$300bn), of which about 80 per cent are dollar denominated. In the face of these amounts, the U.S. prefers a more cautious approach, with the account initially having a ceiling of only a few billion dollars, but some IMF staff estimates of its desirable size range as high as \$40bn.

The U.S. also prefers that participation in the account should be voluntary but that support for it must be "broad and genuine." In Mr. Solomon's words, and represent "a lasting move towards the SDR and not one to be reversed if circumstances change." A key element of this—and still to be resolved—is the interest rate that the SDR bonds would pay. SDRs themselves currently yield 80 per cent of the average return on Treasury Bills in the ten largest industrial countries, a figure which may be raised for the SDR bonds in the substitution account.

Other unresolved issues include future enlargement of the account, and any rules that may govern subsequent trading by governments of SDR-denominated bonds, both between themselves and, conceivably, to their own national private sectors.

MEN AND MATTERS

Hogg prepares for a new leap

Yesterday was one of the two most memorable days in the life of Christopher Hogg. He recalls the other with great clarity, although it was almost a quarter of a century ago: "On November 5, 1956, I parachuted down on Port Said during the Suez crisis."

Hogg was a national serviceman then; he has now been appointed chief executive of Courtaulds, at the age of 43. "I hope I'm not risking my life a second time," he says. But to become head of Courtaulds, facing textile import threats at home and daunting export problems, is certainly going to call on every ounce of his resilience. Hogg replaces Sir Arthur Knight, retiring at 62; but it is Lord Kearton, who re-shaped Courtaulds, against whom he is likely to be measured.

Kearton brought him into the group from the Industrial Reorganisation Corporation, where they first met, in the ten years

since then, Hogg's rise in Courtaulds—current sales £1.6bn a year—has been irresistible. Colleagues regard him as an outstanding example of a new generation of British industrial leaders.

Although he is a graduate of the Harvard Business School and a merchant banker, Hogg also offers some comfort to those who feel themselves educated on the more impractical side of the two cultures. He read English literature at Oxford.

He has also refused to accept the limousine images of his business. He usually cycles to his Hanover Square office from his home near Notting Hill Gate. "Twenty minutes through the back streets gives me some fresh air and exercise. It is quicker and cheaper than the Tube."

Testing brand

The Government's attempts to infuse new life into British industry is reflected in the reorientation of a rather stodgy magazine called *Trade and Industry* (circulation 14,000), official weekly organ of the Department of Industry and Trade.

Already priding itself on being self-supporting, it is distributed quite widely abroad and is now experimenting with a special overseas edition, re-titled *Business*. It is, at this stage, the mixture as before with different cover, but a transformation is promised. "We have been conscious for a long time that we need to project a brighter image abroad," says managing editor Alan Williams. "We had a lot of requests from colleagues in embassies, especially in Germany and the U.S., for us to say something positive about British industry. We've sent samples overseas. I'm rather surprised you got a copy. EMISO must have muddled up the subscription lists. They're always muddling up the subscription lists."

Such hiccups aside, the new look *British Business* may, if successful abroad, eventually

supplant *Trade and Industry* in Britain too.

On the front cover of the latest issue is a photograph of the Post Office's new System X which no-one seems to understand but which is said to have gone down well in Geneva—a good omen?

Prof. provoked

The ins and outs of the jury vetting process may by now have defeated even the most assiduous readers, none more so than economist Professor David Middleton of Cranfield School of Management. One of the dozens of good men and true called up for service during the anarchist trial now taking place at the Old Bailey, he was not among the batch of 12. But, the defence having objected to a large number of these, he found himself among the ones sent in to replace the rejects. More potential jurors were objected to by the defence. Then, much to Middleton's astonishment, he became the first juror to be asked to stand down by the prosecution.

Still rather bewildered by this, Middleton—24 hours later—says he feels "a bit insulted" and in any event curious about what could possibly disqualify him. His only clue is that he once wrote a book of laissez-faire tendency called *The Power to Destroy*. The subtitle: *A Study of the British Tax System*.

War of the air

Those associated with television have long distrusted mere words, so it is natural that Jack O'Connor, national television organiser for the Association of Cinematograph, Television and Allied Technicians, should want to move his dispute into the forum with which he is most familiar: people sitting around in a studio with cameras pointing at them. "We want to make the facts of this dispute public," he says, with apparent indit-

ference to the bewildering mass of claims and counter-claims inflicted on the public every morning.

But O'Connor may ironically have his wish. The ITV companies say cautiously that "they would probably be prepared to consider a television offer from the BBC seriously." And the BBC, for its part, seems not averse to the idea. However, the decision on whether it would make, as they say, "good television," is being left to any individual programme editor who feels like inviting the adversaries along.

Lurking Livia

The invitation extended to the entire Board of Dalgely to become credit customers of the new Spillers-owned restaurant in the Villa Augusta, is informed by a blacker sense of humour than at first appeared. The restaurant may, as advertised, be "elegant and spacious... typically Italian... cool and relaxing with its Terrazzo tiled floor," but I note that it also contains a private dining room named the Livia Room.

This distracts somewhat from that soothing floor. Livia, as viewers of the television serialisation of *I Claudius* will remember, is best remembered for her skill in poisoning people. She was also never coy about dealing with takeover bids not to her taste.

Inner workings

A colleague attending a seminar this week was gazing in some perplexity at a wall chart setting out one of the government's more abstruse economic difficulties. An academic figure beside him suddenly remarked: "It is hard to imagine the problem to which that could possibly be the solution."

Observer

Hoare Govett Ltd. are moving

As from next Monday, October 1st, the new address for all Departments (with the exception of Gift Edge, Fixed Interest, Investment Trusts and Moneybroking) will be:

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319-325 High Holborn,
London WC1V 7PB
Telephone 01-404 0344
Telex 885474

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FINANCIAL TIMES SURVEY

Friday September 28 1979

Banking and Finance in Luxembourg

Developments in the world's financial and currency markets have blessed the tiny land-locked Grand Duchy of Luxembourg with an international status which is a phenomenon of modern times. It has become a major centre for the Euromarket, the host for offshoots of Europe's leading banks and the repository for extensive portfolio investment.

Basic business of the Duchy

By Nicholas Colchester

THE GROWTH of Luxembourg as a banking centre has eclipsed even the rapidly mounting figures for international bank lending. Between 1965 and today the balance sheet total of all banks in Luxembourg has increased one hundred fold to \$100bn. This compares with the total of \$280bn for all foreign banks operating in the City of London.

The result is that banking is now the basic business of the Luxembourg economy. The corporation tax paid by banks last year accounted for four-fifths of all the corporation tax collected. The subsidiary of Dresdner Bank is the Grand Duchy's largest taxpayer. Bank corporation tax provided 15 per cent of the total tax revenue last year, and this ignores the income tax paid by banking staff. They are 7,000 strong

and account for almost 5 per cent of the working population. As with the price of gold in recent weeks, the persistent question is how much longer the rise in Luxembourg's banking fortunes can continue. As with the price of gold it is an equally foolhardy a man who would call the turn for current banking developments in Luxembourg defy the fundamentals.

So far this year 11 new banks or bank branches have opened in Luxembourg taking the total to 108. At the same time during the first half-year the balance sheet total of all Luxembourg banks has been growing at the giddy annual rate of 35 per cent—and this at a time when according to BIS statistics growth in the Euromarkets as a whole has fallen right away.

These facts defy the fundamentals because 1979 is a year of complaint in the international banking business and a year when a long-term threat has loomed above off-shore banking centres in general. It is also a year when the status of the dollar, the basic international banking currency, is under pressure.

The complaints arise because there is a distinct feeling that the international banking business is becoming over-populated. Once again the margins that banks can earn in making international loans have been squeezed to the level they reached before the collapse of the Herstatt Bank—to a point where loans can be considered profitable only if viewed in an optimistic light. With margins

going one way and costs emphatically the other, this is not a time when one would expect to see an influx of new banks into Luxembourg.

The long-term threat is much more nebulous and is probably not sufficient to influence this or that specific plan to open a new banking subsidiary. But it is certainly exercising the minds of banking supervisors in the international banking centres. This year has been one of lively discussion of "control of the Euromarkets" and "supervision of the international banking system."

Abandon

The idea of controlling the Euromarkets usually implies some form of international imposition of reserve requirements. Fortunately for Luxembourg this idea, after a brief airing at the turn of the year, has since apparently been abandoned as impractical. It would have gone to the root of Luxembourg's banking prosperity. German banks, which account for half of the Luxembourg banking balance sheet, have arrived very largely because of reserve requirements levied on foreign deposits in banks in Germany.

The move towards a more standardised concept of supervision appears at the moment to be going ahead slowly and this might affect Luxembourg in the long run. Current thinking suggests that banking authorities in any country should start to supervise their banks on the basis of their internationally consolidated balance

sheets rather than just their domestic ones. If this idea were to develop it would gradually reduce the advantage of setting up banking subsidiaries in more liberal offshore centres.

Luxembourg's banking authorities have to tread rather delicately at a time like this, just as the Bank of England must. It is therefore most encouraging for the Luxembourg Government to see the growth in banking business continuing without artificial stimulus. The inference is that Luxembourg as a banking centre has reached some sort of "critical mass" where the attractions for banks are not just a matter of regulatory opportunism but owe much to the city's emergence as a marketplace offering contacts, and even types of business, which they cannot get elsewhere.

Take S. G. Warburg for instance. British banks are noticeable absentees from Luxembourg, mainly because they have an international banking centre at home. But Warburg, the British merchant bank, has taken a share in a new joint venture in Luxembourg to benefit from closer contact with the well established German banks and with the new wave of Scandinavian banks which arrived recently for regulatory reasons. The hard currency Eurocurrency markets are a lure as well.

Or take America's Manufacturers Hanover Trust (MHT), which is shortly going to open a subsidiary in Luxembourg. On the face of it the attraction of Luxembourg for U.S. banks would appear to be in decline.

The number in Luxembourg reached a maximum of 17 in 1973 before falling to the current total of 13.

The U.S. banks have tended to concentrate their Euro-market activities in London. But MHT has now decided to come to Luxembourg because it wants access to the Euro-D-Mark market to participate in syndicated loans organised within Luxembourg, and to benefit from a double-tax treaty which Luxembourg is now establishing with Brazil.

Other examples of the same story are given within this survey and they add credibility to the Banking Commission's contention that the banking business in Luxembourg has become self-regenerating. The Commission points out that a third of the interbank business of the Luxembourg banks now takes place within Luxembourg against a sixth five years ago and a twelfth five years before.

Surprise

As in the international bank lending market as a whole this interbank component is now a surprising half of the lending total—a half on which presumably no overall profit can be made. But the growing proportion within Luxembourg does suggest the existence of a marketplace rather than a place where a number of banks go about their separate businesses.

The steady rise in the appeal of the Deutsche Mark (DM) as one of the world's reserve currencies is undoubtedly one of Luxembourg's strongest suits. The lion's share of the Euro-DM

market is now deposited and re-lent from the Duchy.

At a time when currency diversification by central banks is showing no sign of stopping this is a most valuable market for Luxembourg to have cornered. It does, however, mean that relations between Luxembourg and Frankfurt become doubly delicate as Germany's Bundesbank is most uneasy about the D-mark's reserve role.

Such developments make it possible for Pierre Jaans, the banking commissioner, to stress quality rather than quantity in tending Luxembourg's banking sector. A calm and competent young man of 42, whose career embraced ten years at Germany's Bundesbank, he states squarely that Luxembourg is no longer competitive as a banking centre because taxes are too high.

Nor, in discussing the continuous debate about supervision of international banking, does he pursue a particularly reactionary line. He is in favour of the principle of consolidation of parent bank balance sheets.

As to whether solvency and liquidity ratios should then be applied to these consolidated figures he says diplomatically: "It's a policy question for governments whether they want their banks to be competitive in international financial markets or keep their banking industry at a level which strictly matches domestic needs."

He does not oppose the notion of a measure of international agreement on the banking

ratios applied. He supports the idea of a central risk-vetting agency, perhaps based at the Bank for International Settlements in Basle, which could monitor the credit standing of borrowers. Asked whether such moves towards standardisation might threaten Luxembourg as a banking centre he replies philosophically: "Markets change and we must produce what the market requires. There is no point in producing steel which no one wants."

Attractions

His move towards the creation in Luxembourg of a market in Eurocurrency Certificates of Deposit (CDs) certainly does not indicate any unseemly haste on the part of the authorities to add to Luxembourg's attractions. Last year the Government abolished the 0.3 per cent stamp duty payable on each transaction, but since then the Banking Commission has bided its time.

The authorities have left an important deterrent in place—CDs must currently be registered rather than "bearer" if they have a face value of less than Lfr 7.5m. The Commissioner is prepared to change this rule when the Luxembourg banks "have produced an internationally credible, acceptable formula for issuing and trading CDs." At the start it seems that Euro-dollar CDs are going to be the only ones to emerge. Much as investors might like to buy Swiss franc and Deutsche Mark

CDs, the German and Swiss central banks would take a very dim view of such a development.

Central banks, with the exception of America's Fed, are still more sensitive about the development of offshore security markets denominated in their currencies than they are about Euro-money markets. Partly because of this Luxembourg plays a relatively small part in the international securities market. Its own particular group of investors, mainly in Belgium, has been losing interest in the only currency which Luxembourg banks can freely deploy—the dollar.

There have been issues of Deutsche Mark securities from Luxembourg but the Bundesbank recently asked German banks to cut right back on such activity. So instead of being a major issuing and trading centre Luxembourg has concentrated, successfully, on providing the procedural basis of the international securities market.

What can the authorities and the established banks do to protect and further improve Luxembourg's place in the financial market? Good relations with the authorities in Belgium and West Germany are clearly vital. For all the diversification which has taken place the German connection remains as fundamental as ever to Luxembourg's prosperity.

Bankers agree that Luxembourg is insufficiently developed as a centre for investment management. Some suggest

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BANKING IN LUXEMBOURG II

Euroloan margins arouse caution

A PAINED EXPRESSION fits across the face of Luxembourg Eurobankers when the conversation turns to one of their particular preoccupations—the continued easing in borrowing terms for syndicated Euro-market credits.

With margins over interbank rates now down to 1 to 1 per cent for the overwhelming majority of borrowers, and maturities stretched out in some cases to 10 to 15 years, bankers say the slide in conditions can hardly go any further. They protest that many deals put together over the last few months leave the banks with hardly enough margin both to make a reasonable profit and also to put aside sufficient provisions for risks.

This has meant that many international banks, even the usually aggressive Japanese, are starting to vote with their feet by turning down invitations to participate in the lower-priced credits—giving rise to speculation, for the umpteenth time over the last two years, that the turning point in loans conditions may be just around the corner.

Optimism that the downward spiral in loan terms may be coming to an end is tempered, however, by a considerable number of clouds on the average Luxembourg bank's horizon. There is general disquiet at reports that U.S. banks active on the Euro-market may become more aggressive in bidding for credits because of the fall-off in domestic loan demand caused by the onset of recession.

Rash

Bankers complain that many borrowers are becoming increasingly sophisticated at extracting maximum benefit from the presently over-liquid market. This has been partly responsible for the rash of re-financings and early repayments of outstanding Eurocredits over the past few months, as borrowers scramble to take advantage of the drop in margins and lengthening of maturities.

Although the Japanese have become less aggressive, principally at the behest of the Tokyo Finance Ministry, competition on the whole remains strong—including from a number of relatively newly-established German banks in Luxembourg anxious to flex their muscles on the international scene. Overlaying everything is disquiet at the growing international leaning among central banks and supervisory authorities towards tighter control of the Euro-market.

Luxembourg can scarcely hope to insulate itself from the general regulatory climate, despite the justified desire of the Finance Ministry and Banking

Control Commission to retain sovereignty over the administration of Luxembourg banking. Bankers point out the unlikelihood of dramatic new measures to increase the activities of the International Monetary Fund or other official institutions in financing balance of payments deficits. So it appears as if the banks themselves are once again going to be called upon to finance a good part of the payments disequilibrium resulting from the re-emergence of the OPEC surplus.

At such a time, say the banks, it is hardly sensible or justified to saddle their operations with greater regulatory costs and restrictions—an attitude which, to be fair, some of the central banks share as well. Faced with the slump in margins and the lengthening of maturities over the past couple of years, Luxembourg banks have responded basically in one of two different ways. The larger German banks which had already built up considerable international reputations as managers of syndicated credits have tended to draw in their horns a little, becoming more selective about taking on lower yielding business in the hope of maintaining some spare capacity for an eventual improvement in terms.

Others—mainly the smaller German banks relatively new to international business, as well as some of the other Luxembourg institutions with only fairly modest roles in Euro-market transactions—have expanded their activity. Their hope has been to compensate for lower interest rate yields with greater volume and—especially important—higher fee income from management positions.

Particular examples of this second type of response have been provided by DG Bank, the central bank of the German co-operative banking system, which has been placing full emphasis on its Luxembourg operation only since last year. The bank has acquired something of a reputation, for aggressive bidding for management positions, and this spring surprised—and in some cases shocked—the rest of the banking world by winning the mandate for the \$400m Eurocredit for Eletrobras, the Brazilian utility, at what were then extraordinarily fine terms for a Brazilian borrower. (Since the credit was arranged, terms for Brazil have in fact shrunk even further.)

Kreditbank Luxembourgcelse, one of the few Belgium/Luxembourg institutions in the Grand Duchy to have much of a share of Euro-market business, has followed a broadly similar path. As a result of a more active search for management positions—especially involving credits for European borrowers

like Portugal with which it has traditionally close connections—it expects fee income to rise by 40 per cent this year, and is budgeting for a 50 per cent rise in 1980.

The borrowers' market has also led to a certain number of similar responses among both categories of banks. Both sets have stepped up the search for specific borrowers which offer either an exceptional yield advantage, novelty value or some other specific advantage.

Active

Portugal, which has good connections with European banks and is also not adverse to paying slightly better rates than other borrowers of similar standing, has been a fairly active fund raiser in recent months.

Belgium, although commanding very fine rates (some of its short-term borrowings have been at interest rates scarcely above interbank levels), has also been a relatively welcome borrower. Both because of the natural goodwill enjoyed by Brussels on the Luxembourg banking scene, and because of the relative rarity of foreign loans by the Belgian authorities, the government has raised fairly noiselessly through Luxembourg banks a good proportion of its overall external financing of some \$1.5bn this year.

The enthusiasm of the Grand Duchy's banks for export-related business has always been strong. But during the bout of margin cutting, the desire to get credits on to the books which offer a business tie-up with German exporters has grown even further. Many of the large Deutsche Mark credits put together in Luxembourg over the past two years—for countries such as Bulgaria, Poland, Portugal, Mexico and Brazil—have been tied up with export financing.

The same can also apply to dollar loans—the three large syndicated credits arranged in dollars by Dresdner Bank for Comex International Investment Bank were partly earmarked for imports of German equipment for the Orenburg gas pipeline project. And in April, Argentina signed one of the largest D-Mark Eurocredits ever arranged—a DM 740m loan, syndicated principally in the Grand Duchy, covering the purchase of German engineering goods. The chance to participate in these export-orientated D-Mark credits has, in fact been one of the main reasons behind the rush of smaller German banks to Luxembourg over the past two-and-a-half years.

Other large Deutsche Mark credits have been put together simply for balance of payments purposes, with Denmark a notable borrower in this type of transaction over the past year or so. Most of the German banks take pride in their rela-

tively independent status in Luxembourg, and say they are equally at home with dollar as D-Mark loans.

But there is no doubt that the decisions—at least for the larger credits—are made at the head office of the parent bank rather than in the Grand Duchy. It is also clear that should general refinancing difficulties on the Euro-market ever arise, the parent banks would have to stand behind the subsidiaries.

As fundamentally D-Mark, rather than dollar-based banks, they would be expected to be in greater difficulties than U.S. institutions during a general dollar shortage.

For this reason, banks have a natural enthusiasm for providing D-Mark financing. Some of them have given considerable publicity to the idea of all-Luxembourg syndications for D-Mark credits, using a reference interest rate based on "Luxibor" rather than "Libor".

It is true that Luxembourg is sometimes especially suited as the fund-raising centre for certain loans—for instance in deals with an East European borrower, or where the legal documentation is in German rather than English. But otherwise some bankers rather scoff at the "Luxibor" approach as something of a gimmick—a self-advertising campaign that a completely established centre like London or New York would not go in for.

However, the fundamental factor mitigating against D-Mark financing has always been borrowers' distrust of the super-hard German currency. Even at times when D-Mark interest rates have been up to five points lower than those on dollars, the fear of currency appreciation has been something that many borrowers have found hard to shake off. However, corporate fund raisers, such as multinational companies and airlines, with large revenues in D-Mark, as well as Governments of countries with increasing exports to the Federal Republic (as well as increasing amounts of D-Marks in their reserves), have never been averse to borrowing marks.

Some bankers also feel that borrowers should take more advantage of multi-currency clauses in syndicated loan agreements which allow a currency option for the drawings made at three- or six-monthly intervals. One banker points out that, taking into account the relative stability of the dollar this summer and the huge dollar-DM interest-rate differential in the spring, borrowers who in March had been sophisticated enough to take D-Marks rather than dollars for six-monthly tranches of a syndicated loan would have made large savings in interest rate outlays.

Maybe so. But, as another banker ruefully puts it: "If borrowers get any more clever at playing the market, we won't be making any money at all."

David Marsh

Business

CONTINUED FROM PREVIOUS PAGE

that the confidentiality and numbered accounts offered by Luxembourg are not widely known. The problem here is that, as an EEC member, Luxembourg will not be able to avoid such EEC disclosure requirements as are imposed.

Yet even without stressing secrecy more might be done to attract investors and investment managers to Luxembourg. The country is well placed to do investment research and provide statistics on the banking and securities markets. Yet it has no reputation in these fields.

Luxembourg is also hard-pressed in providing the amenities and manpower necessary in a city which hopes to develop as a fully fledged banking centre. The hotel system—vital for visiting bankers and clients—is inadequate. One of the big Luxembourg banks would do well to follow the example of Switzerland's Credit Suisse in Zurich and develop a first-class hotel in the financial heart of the town. Housing is said to be hard to find.

Bankers report that staff, particularly English-speaking, are in short supply and therefore expensive. Mr. Edmond Israel, director of Banque Internationale à Luxembourg, says that Luxembourg is now making a conscious effort to educate its young people in the necessary skills.

Finally, Luxembourg would benefit from an increase in the small number of double taxation agreements with other countries, or with an improvement to the internal fiscal alternative. Its Government has already made a move in this direction, allowing banks to claim tax credits in Luxembourg against withholding tax they have paid in other countries which do not have double-tax arrangements in Luxembourg. Bankers view this as an important development, but claim that the current system is still too restrictive.

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Notable market in Euro-Marks

LUXEMBOURG's growth in Euro-currency banking in the last few years has indeed been impressive—and the size and activity of its 108 banks are if anything understated by the modest amount of neon lighting used to advertise their presence on the city's skyline.

The external foreign currency assets of the Grand Duchy's banks have risen at an annual average rate of 34 per cent over the last five years—easily outstripping the 20 to 25 per cent growth rates of the Euro-market as a whole. According to the latest Bank for International Settlements statistics (for

March), the banks' external foreign currency positions have risen to \$61.1 bn on the assets side and \$57.0 bn for liabilities, accounting for 12.5 per cent of the Euro-market on the basis of assets, and 11.3 per cent for liabilities.

The proportions are up from 10.9 per cent and 10.7 per cent respectively at the end of 1978—and represents a near-doubling of Luxembourg's share of the Euro-currency market since 1973.

This growth seems to have continued into the summer. The overall balance sheet-total of all Luxembourg banks rose

by about 17 per cent in the first six months this year to about \$100bn (of which about 88 per cent is denominated in foreign currencies).

This is somewhat higher than the underlying growth of balance sheets during the previous few years, when totals have risen on average by about 25 per cent annually. And it comes at a time when the overall size of the Euro-market measured by the BIS statistics has fallen. The small decline in the first three months of this year was in fact the first quarterly drop since the post-Herstall jitters of the third quarter of 1974.

The typical behaviour of Luxembourg Euro-banking this year provides cause for both gratification and a certain amount of concern. On the one hand, the Grand Duchy has managed to build up its share of total Euro-market loans made to non-banks. The Luxembourg portion amounted to \$33.6bn at the end of March, or 26.2 per cent of all such loans (against 25.7 per cent in December)—the highest proportion ever. On the other it is clear that a large slice of the increase in overall Euro-market business has been through a build-up in unprofitable inter-bank transactions.

A revealing figure from the Luxembourg Banking Control Commission is that, in June, 54.3 per cent of the banks' total balance sheet assets were in the form of claims on other banks, against 50.6 per cent at end 1978 and 50.3 per cent in June last year. It seems that at least for some of the banks, impressive growth rates in business volume have been fuelled more by the inter-bank merry-go-round rather than by increases in credit business.

Of total foreign currency business generated in Luxembourg, the dollar and Deutsche Mark each account for about 45 per cent, with the Swiss franc making the largest part of the rest. With 80 per cent of the overall Euro-DM market concentrated on the Grand Duchy, Luxembourg has acquired its reputation as a D-Mark centre. But now that the city is firmly established as the second most

important Euro-market base after London, the banks are anxious not to become typecast. The interest of diversification has been well served by the influx of new banks in recent years, adding to the traditional mix of West German, U.S. and Belgian/Luxembourg institutions. In particular, the Scandinavian and Italian banks which have opened in the last few years have brought new currencies and new sources of international business.

Scope

Two of this year's newcomers have provided particular scope for widened lending opportunities. The establishment in Luxembourg of the Bank of China and Bank Handlowy, the Polish foreign trade bank, has brought banks into direct contact with countries which look like being considerable funders of Euro-market funds for some years to come.

But however much the banks are keen to diversify their interests outside their own geographical area it is clear that, at least for the moment, the general orientation of Luxembourg bank lending is very firmly in the direction of Western Europe. About 70 per cent of the Luxembourg banks' total Euro-currency assets are with this area, and 82 per cent of their liabilities—against corresponding figures for the total European-based Euro-market of 55 per cent and 57 per cent.

Whatever the pretensions of some of the Luxembourg subsidiaries of German banks about being "international" rather than German institutions, there is also no mistaking the basic cause of Luxembourg's growing importance as a Euro-market centre. It is mainly because of the D-Mark. The successive revaluations of the German currency over the last decade have strengthened the capital base of the Federal Republic's banks and given them more muscle in international financing.

The considerable German current account surpluses chalked up over this period, coupled with Bundesbank intervention to hold down its currency, have, in most recent years except this one, sharply built up banking liquidity. And the increasing use of the D-Mark as an international reserve currency—by governments and central banks as well as large private companies and institutions—has added enormously to the deposits at the German Eurobanks.

The Luxembourg subsidiaries of the big German banks have also been used in another way to strengthen the balance sheets of their parents. Over the last two years, all the big three institutions—the Deutsche, Dresdner and Commerzbank—have used their Euro-market subsidiaries to float medium-term Eurobond issues, denominated in both dollars and D-Marks, some of which have been convertible into shares.

The proceeds have been added to the banks' general resources for international business.

There is no available figure for total Deutsche Mark deposits by central banks and other official institutions at the Luxembourg Eurobanks. Some estimates, however, put the amount of DM 20 to 30bn—most of it lodged with the big three banks and Westdeutsche.

Asked to give an indication, M. Pierre Jaans, the Banking Commissioner, merely smiles and says it is "not insignificant"—in the full knowledge that the growth in importance of the D-Mark as a reserve currency is a subject of concern for the top men at the German Bundesbank. The German authorities have reluctantly seen the reserve role of the currency grow dramatically over the past few years. It is now reckoned to account for some 10 per cent of total official foreign exchange holdings, taking the place as the world's second most important reserve currency which was occupied by sterling up to the early 1970s.

The largest part of the official deposits stems from developing countries in Latin America, south east Asia and Africa. OPEC nations are also represented—but most oil money is deposited in London or New York rather than Luxembourg, according to bankers. European countries such as Austria, Norway and Denmark, which are not bound by the gentleman's agreement within the Group of

Ten and Switzerland prohibiting central bank deposits on the Euro-market, also have quite large sums on account with the German Eurobanks. And there are even signs that some of the Group of Ten members occasionally break their own rules and deposit either dollars or D-Marks with banks in the Grand Duchy.

At the start of the 1970s, when Luxembourg was only at the beginning of its period of rapid expansion, some central banks were reluctant to deposit funds in Luxembourg—even though interest rates were higher than in Frankfurt because of the absence of minimum reserve requirements—on the ground that the banks there were merely subsidiaries. This led to some parent banks issuing "letters of comfort" (Passeports de confiance) guaranteeing the deposits held at their subsidiaries.

Liabilities

The practice was stopped a couple of years ago after the Federal Banking Supervisory Office, altered by the Bundesbank, laid down that guarantees given in this way would count as contingent liabilities of the parent banks, requiring them to make extra capital provisions.

Since then, the Luxembourg banks have more or less stood on their own feet. During the last few years of growing reserve diversification around the world, they have boosted rather than lost central bank deposits. And if the growth in importance of the D-Mark as a major reserve currency carries on into the future, this will probably be a principal reason ensuring continued expansion of Luxembourg as a Eurobanking centre.

David Marsh

Closely defined controls

LUXEMBOURG'S banking Commissioner M. Pierre Jaans does not lay great store by "comfort letters"—undertakings by parent banks that they will stand by their branches or subsidiaries in Luxembourg. "Our supervisory system aims at solvency in any winding up," he says.

The Inter-Bank Research Institute has prepared a detailed comparison of the bank regulations in the EEC countries. It leaves the immediate impression that Luxembourg's controls are as complete as any in the EEC and are certainly more closely defined than those presently imposed in Britain by the Bank of England.

On the other hand, the comparison also makes it clear that in the matter of solvency ratios—the amount of capital that a bank needs as a proportion of its assets or liabilities—Luxembourg's minimum requirements allow banks a very competitive degree of gearing.

The Banking Control Commission was set up in 1945 and now numbers some 45 staff, of whom 18 are working on the supervision of the banking sector. Its brief stretches beyond banking, embracing in-

vestment funds and the issue and trading of securities. Before establishing itself in Luxembourg any bank has to satisfy the Banking Commissioner that its structure and management are adequate for its planned activities, and that the bank's internal control system is adequate. An applicant needs to have the sponsorship of two banks which have been operating in Luxembourg for at least five years.

Deposit

The initial capital has just been raised to a minimum of LFr 350m (\$5.4m), of which a minimum LFr 250m must be paid up. In addition the bank is obliged by company law to build up a legal reserve. It must deposit at least 5 per cent of its annual net profit into this reserve until it amounts to 10 per cent of capital.

The Commission keeps control of banks by demanding a regular flow of reports from them. Every month they must complete a form telling the Commission of 100 different categories of assets and 100 of liabilities. They must also submit a report of their foreign

exchange position on a monthly basis.

Mr. Jaans explains that the foreign exchange position of any bank must be "in reasonable proportion to its assets and earning capacity." This proportion is not laid down, but if any bank shows an open position equal to more than 30 per cent of its own funds reports are required much more regularly.

Two balance-sheet ratios are stressed—a solvency ratio and a liquidity ratio. The second of these insists that liquid and realisable assets must amount to at least 30 per cent of liabilities to the public. The first asserts that the ratio of shareholders' funds to current liabilities may be fixed at a minimum of between 3 and 10 per cent by the Banking Commission. Shareholders' funds must also cover fixed assets.

The minimum solvency ratio is currently set at the lowest possible figure, which allows Luxembourg banks to adopt quite a high gearing ratio in their lending. Mr. Jaans points out that the current average in Luxembourg is something over 3.5 per cent. He also hints that this ratio may be moved upwards.

Fifty per cent of funds raised through the issue of subordinated loan stock and with a remaining maturity of over one year, may be regarded as shareholders' funds for the purposes of the solvency ratio. This allows an even higher effective level of gearing to be achieved. But the bank needs specific permission to do this, and it may be refused if the Banking Commission finds that the bank is paying out (rather than re-investing) a lot of dividend. "Subordinated debt is regarded only as transient capital," says Mr. Jaans.

Banks have to prepare statements of profit and loss every quarter and since 1975 have been assessed at the same interval for maturity mismatch—an exercise which the Banking Commission copied from the Bank of England. There are no hard and fast rules for maturity mismatch, but the Commission compares figures for different banks and talks to institutions whose figures are notably out of line.

Every year, before the annual results are published, each bank is visited by a team of 2 to 3 inspectors appointed by the Banking Commission. The Commission can insist on changes in a bank's operations, including personnel, if the results of this inspection are deemed unsatisfactory.

Nicholas Colchester
*The Regulation of Banks in the Member States of the EEC. (Graham and Trotman) price \$42.

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LUXEMBOURG
DG Bank international, the central institute for West Germany's cooperative banks, expects its subsidiary's balance sheet total to stand at DM 2.2bn (equivalent to DM 1.2bn at the end of June).

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DG BANK is both an internationally operating bank providing comprehensive commercial and investment banking services to prime corporate customers, public authorities and banks, and the central bank for a system encompassing 4,600 local banks, nine regional banks and a number of specialized institutions in the Federal Republic

of Germany. At year-end 1978, DG BANK's consolidated assets exceeded DM 53 billion (US \$29 billion), whereas the assets of the German cooperative banking group totalled DM 273 billion (US \$149 billion).

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DG BANK INTERNATIONAL Société Anonyme

BANKING IN LUXEMBOURG IV

Home from home for German banks

THE ATTRACTIONS of a Euro-banking centre just a couple of hours by executive Mercedes from Frankfurt and Düsseldorf have turned Luxembourg into a profitable home from home for 27 German banks. They make up exactly one-quarter of the Grand Duchy's banking population, account for over 50 per cent of total balance sheet volume, and provide the largest single source of tax revenue for the Luxembourg Finance Ministry.

The German Eurobanks have registered prodigious growth rates in the recent boom years on the Euro market. The five largest banks in Luxembourg, the subsidiaries of Dresdner, Deutsche, Commerzbank, Westdeutsche Landesbank and Bayerische Landesbank, have a combined balance sheet total of about \$300m—equivalent to an astonishing 14 per cent of the total balance sheets of their parent banks. And profits have risen commensurately. The Luxembourg subsidiaries, as wholesale banks operating with relatively low overhead and regulatory costs, provide the main reason why, for the main German banks, the proportion of profit stemming from foreign business has risen to around one-third in recent years.

But this year some of the gloss has worn off. Falling margins on Eurocurrency credits and large write-offs on the bank's holdings of Deutsche Mark bonds (whose prices have dropped sharply this year in the wake of higher German interest rates) have bitten into profits. There is a general consensus in Luxembourg that banks' net income is likely to show sharply lower growth this year—and may even drop in absolute terms for some banks.

Although banks' balance sheets are still showing healthy expansion, an increasingly large proportion represents interbank business rather than international loans. And all the time competition is growing—both in Luxembourg itself, where 11 new banks have opened this year, and more importantly on the Euro market in general, where the rush into international loans by banks around the world has been a major reason for the sharp improvement in terms for borrowers over the past few years.

The migration of German

banks to Luxembourg has taken place in two distinct phases over the past dozen years. The first bank from the Federal Republic to set up in the Grand Duchy was the Dresdner Bank in 1967, marking the banking industry's first cautious move back into the international sphere since the Second World War.

The go-to-Luxembourg spirit was maintained for the next few years, with the succession of exchange rate crises during the last years of the Bretton Woods fixed exchange rate system providing an important impetus.

Punitive minimum reserve requirements imposed on banks' foreign liabilities during periods of upward pressure on the Deutsche Mark, together with other measures taken to bar inflows of hot currency into the Federal Republic, made the attractions of minimum reserve-free banking in the Grand Duchy even more persuasive. By the end of 1973, out of the 80 banks established in Luxembourg, 18 were German—including most of the big names.

Then followed a period of stagnation, with the German contingent remaining unchanged at 15 for the next three years. The clouded world economic outlook in the wake of the oil price rise and the changeover to floating exchange rates made banks more cautious about expanding abroad. More specifically, the spectacular collapse of the Cologne-based Herstatt bank, caused by massive speculation on the foreign exchange market, and the large losses suffered by the Westdeutsche and Hessische Landesbanken through incautious expansion of their international business, served up dramatic case histories of how badly fingers could be burned.

Renaissance

Since the end of 1976, however, there has been something of a renaissance in the international spirit—a result of growing signs of saturation on the heavily-banked domestic market, the expanding role of the D-Mark as the world's second most important reserve and trading currency and increasing internationalism among German business in general.

At the same time as the larger German banks, already

established in Luxembourg, have been enlarging their branch networks in such places as London, New York, Tokyo and the Far East, the smaller try have been busy setting up in the Grand Duchy. In just over 2½ years, a further 12 German banks have started business there.

Most of the new recruits have been small to medium-sized private banks—in the wake of the Herstatt collapse five years ago, setting up abroad would have been the last thing on their minds—and public sector Landesbanks eager to follow the international trail blazed by Westdeutsche.

The three new banks to open up this year have been the Bankhaus Hermann Lampe from Bielefeld, the Westfalenbank from Bochum, and the Stuttgart Landesbank—none of them as they would be the first to admit, exactly household names on the world banking scene.

Some of the larger German banks, observing the eagerness of their less illustrious cousins to grab a slice of the Luxembourg action, are apt to shake their heads and ask why on earth they are coming—especially when international banking is providing leaner profits than a few years ago.

The answers, however, are always a mixture of the same ones that lured the likes of Deutsche, Dresdner and Commerzbank to Luxembourg a decade ago: the need to service corporate clients on their increasing incursions into the international field, and to broaden the general spread of business at a time when the room for profit expansion at home looks very slim indeed.

A primary advantage in dealing with domestic clients is provided by the absence of minimum reserves in Luxembourg. (In Germany, the Bundesbank levies a reserve requirement—averaging out at about 8 per cent of the deposit—on all banking liabilities of under four years maturity.) This together with the lower overhead costs of running a Luxembourg operation, means that banks can drastically reduce the margin between deposit and lending rates compared with those in Germany.

This year, however, this sort of funding activity has been much more muted. As a result of the Bundesbank's tight money policy, and a cooling-off

of upward pressure on the D-Mark on the foreign exchange market, EuroDM rates have risen to only slightly less than domestic rates (which themselves have increased sharply). Compared with the prime domestic interest rate level, at the moment about 8 per cent, Euro market rates have been only marginally attractive—and according to most bankers, it has simply not been worthwhile lately for companies to go to Luxembourg to look for credits.

The banks have been active, though, in indirect lending to German companies. Some of the parent banks, pressed by this year's domestic liquidity squeeze, have been refinancing through their Euro market subsidiaries their lines of credit to domestic corporate customers—accounting for part of the large inflows from the Euro market which have shown up in Bundesbank statistics this year.

The other major form of credit service which the Luxembourg banks can give to their domestic clients has, however, certainly increased in importance over the last few years. This concerns export financing, where house banks are increasingly being called upon to provide large Euro-market credits to back up German companies' export deals. The average contract can range from a small order worth a few million marks to a billion mark contract for a steel plant.

In the classic case—illustrated over the past few years perhaps best of all by the multi-billion dollar export of German nuclear technology to Brazil—a banking consortium will arrange a domestic D-Mark credit bank by the Hermes export insurance agency to cover the bulk of the order, while the same institutes through their Euro market subsidiaries will put together a Eurocredit, in either D-Marks or dollars, to cover downpayments and (the often very considerable) local costs involved in the contract.

In a competitive tender for an export project, the quality of financing can provide the key which clinches the order—as many exporters from other European countries can testify from rueful experience of the peculiarly powerful German combination of export know-how and financing muscle.

David Marsh

NEW ISSUE

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Tax haven for Belgians

BELGIUM'S INVOLVEMENT in the mushrooming importance of Luxembourg as a financial centre tends to be a sensitive subject in Brussels. Although the major Belgian banks were in on the ground floor of the Luxembourg banking phenomenon, Belgian investors' activities in the Grand Duchy make their operations a touchy topic.

For Luxembourg's numbered accounts and stringent banking

secrecy regulations provides Belgian investors with a tax haven that is embarrassing as it is irritating to the Belgian authorities. "It would be better not to write about it," urged one bank executive in Brussels, "it has become a very dangerous and emotional area." He went on to explain that the Belgian regulatory officials of the Commission Bancaire have of late been looking hard at the situation because of the State's need to maximise tax yields, and has warned the Belgian banks against directing certain categories of business towards Luxembourg. Advising an investor of the practical advantages of depositing funds in Luxembourg is technically an offence that could lead to a bank's licence being withdrawn.

It would be wrong to exaggerate the importance of Luxembourg's tax haven, or of the involvement of banks affiliated to Brussels parents in it. The degree to which private investors in Belgium use Luxembourg accounts to avoid or evade their Belgian tax liabilities can account for only a comparatively small proportion of banking business in the Grand Duchy. Yet it is enough for Belgians to consider it a Pandora's Box on which the lid had better remain shut.

The nub of the problem is that inside a monetary and economic union, Belgium and Luxembourg each operate very different banking and fiscal policies. There are no insuperable controls on currency movements—and certainly few physical customs checks at the frontier—because the Luxembourg franc is so tied to the Belgian franc on a one-for-one basis that the two governments publish joint balance of payments figures.

Belgian banking accounts, however, are open to inspection, while in Luxembourg confidentiality of numbered accounts has been established since the end of World War II. Luxembourg's tax thresholds for residents are even higher than Belgium's, but non-resident account holders are liable neither to local taxes nor to outside inspection. Given the

CONTINUED ON NEXT PAGE

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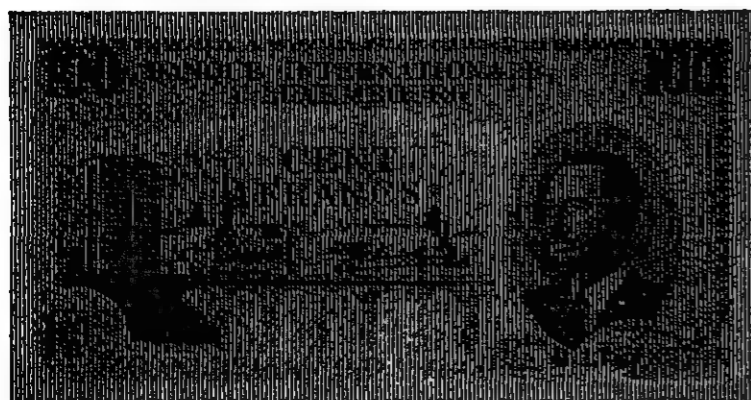
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هكزا نال دل

BANKING IN LUXEMBOURG V

Delicate talks with Berlin, Frankfurt

AN UNEASY truce hangs over relations between the West German and Luxembourg banking supervisory authorities over the vexed question of control of the German Eurocurrency banking subsidiary in the Grand Duchy. The gentleman's agreement concluded last October under which the Luxembourg banks are passing out—via their German parent institutions—a broad overview of their activities to the Federal Banking Supervisory Office in Berlin has taken some of the heat out of the controversy. But the respite will probably not last for long.

Claiming that the unbridled nature of Eurocurrency operations undermines domestic monetary policies and can exacerbate inflationary dangers, in recent months the Bundesbank has stepped up its campaigning for improved regulation of the Eurocurrency market in general and Luxembourg in particular. And last May the Germans found a powerful ally when Mr. William Miller, then chairman of the U.S. Federal Reserve Board (now Treasury Secretary in the wake of President Carter's July Cabinet changes), launched his well-publicized initiative for the major central banks to introduce minimum reserves on Eurocurrency deposits.

Luxembourg, with its relatively liberal banking system and its fast-growing Eurobanks, occupies a strategic point—both geographically and ideologically—in the debate. As a small country caught up in a larger controversy, and with an economy becoming highly dependent on Eurobanking (around 15 per cent of the State's total tax receipts last year came from the banks), Luxembourg faces a considerable dilemma.

An over-conciliatory attitude in the face of external pressure for controls could drive away some of the banks that are laying the golden eggs. But too much resistance, and too many invocations of national sovereignty and the State's strict banking secrecy laws, could provoke the German authorities into taking more draconian steps to curtail the

activities of the banks in the Grand Duchy. The German unease over Eurobanking in Luxembourg stems from two basic considerations. Both are bound up with the fact that the German banks there—being legally independent subsidiaries rather than branches—are outside the formal control of the Berlin office, and also are not required (as are all domestic banks as well as, in effect, foreign branches) to deposit regulatory minimum reserves with the Bundesbank.

First, there is the prudential concern that the international operations of the subsidiaries could involve risks which—without being adequately monitored by the federal authorities—could impinge on the parent banks. Secondly, the Germans are worried about the macro-economic effects of the banks' operations. Their freedom to shift Deutsche Marks into, out of and around Germany can and does, it is claimed, undermine the Bundesbank's monetary policies—especially at times like this year when the central bank is trying to cut back the growth of money supply to help fight inflation.

Bargaining

The October gentleman's agreement was concluded after many months of tough bargaining between the banks, the Berlin office, and Luxembourg's supervisory body, the Banking Control Commission. It allows the Berlin supervisors access to the annual reports of the external auditors to the Luxembourg subsidiaries. This procedure "should bring about a satisfactory state of information" for the German authorities, according to M. Pierre Jaans, the Banking Commissioner.

But many German banks in Luxembourg feel that the agreement is just the thin end of the wedge—a feeling backed up by recent statements from the Bonn Finance Ministry. Assuming a victory for Chancellor Helmut Schmidt's Government in the 1980 general election, it appears that a major target in

the next legislative period will be a thorough revision of the German Banking Law to force the banks to draw up fully consolidated balance sheets. This would also involve a setting of capital ratios on a consolidated basis. (The present law sets down capital ratios and other regulations on banks' balance sheets for the parent bank only.)

M. Jaans is a member of the international panel of banking supervisors which has been looking closely at ways of improving consolidation techniques, and also attends the Basle meetings of central bankers at which Eurobank controls have been hotly debated in recent months. Although he stresses that consolidation should not be viewed as a panacea, he is fully in favour of the idea. "I would have mixed feelings if I knew that an affiliate was not monitored by the parent on a consolidated basis. I see no objection to enabling the supervisory authorities to have the same view as the directors of the banks have."

But it is clear that if the German law were altered to bring in consolidated ratios, some of the Luxembourg banks would have to change their habits. One of the main points made by German officials to back up the need for consolidated accounts is that Luxembourg banks are, relatively under-capitalised. But these allegations are countered by M. Jaans with the sort of statistical firmness only to be expected from someone who has himself served for 10 years in the economic intelligence department at the Bundesbank.

Apart from laying down that banks' start-up capital must be at least Lfr 350m (the minimum was raised from Lfr 250m earlier this year), the Luxembourg regulations state that banks' capital must be at least

5 per cent of total borrowings. (The actual figure in practice works out at about 3.5 to 3.8 per cent.) In Germany, the comparable figure, according to M. Jaans, is 4 to 5 per cent excluding the lower-capitalised public sector banks. Considering that loan loss ratios on international business historically are below those on domestic loans, the somewhat higher gearing of Luxembourg banks can hardly be called dangerously imprudent.

M. Jaans carries out a similar demolition job on German claims that Eurobank lending hinders the Bundesbank's monetary control. The lending of German banks from abroad to German non-banks comprises only 2 per cent of the domestic credit granted to these borrowers. "I can scarcely follow the reasoning that 2 per cent of credit volume can be serious—especially when overall credit growth is in the region of 10 per cent per annum."

Bundesbank officials themselves admit that there is more than tinge of irony about the bank's complaints about the Eurobank: the problem is fundamentally of its own making. The migration of German banks to minimum reserve-free Luxembourg only really got off the ground after the Bundesbank imposed punitive minimum reserves on banks' foreign liabilities, along with other barriers to inflows, during the currency crises of the early 1970s. Some of these barriers still remain.

The absence of regulatory costs at the moment is Luxembourg's strength—but it could easily be exposed as its Achilles' heel. Nothing would so weaken Luxembourg's position as an Eurobanking Centre than for Germany to dismantle fully the very restrictions which made the banks leave in the first place.

David Marsh

Tax haven

CONTINUED FROM PREVIOUS PAGE

proximity of Brussels to Luxembourg and the close relationship between both countries, many rich Belgians consider it no more than sound management to have their "savings accounts" in the Grand Duchy.

Usually they avoid depositing funds with the three big Belgian banks which each have sizeable operations in Luxembourg. Although the Luxembourg banking regulations guarantee the same confidentiality anywhere in the Grand Duchy, Belgian investors cannot quite rid themselves of the suspicion that information might pass from an associated Belgian bank back to Belgium. Even so, Belgium's use of Luxembourg's special facilities can be open enough for the trips that are made to Luxembourg so that bond coupons may be clipped and the interest payments deposited there have become legendary.

Just how serious the situation has become is a matter of opinion. And these opinions are not surprisingly based on comparatively little fact. There are no figures, or even rough estimates, on the volume of Belgian private funds on tax-free deposit in Luxembourg. The loss to the Belgian Exchequer is therefore equally unknown.

Defence

In defence of the practice, bankers tend to make two main points. The first is that because of the Belgium-Luxembourg economic union, funds squirrelled away into Luxembourg accounts at least remain inside the largely Belgian economic system. Although the Belgian taxman is denied his bite, they argue, the money is still part of the "masse monétaire." If some method were to be found of chipping-down and blocking the transfer of funds to Luxembourg, the argument continues, the Belgians would simply bank in other member EEC countries.

Belgians are in any case widely reputed to keep a high proportion of their assets outside Belgium, either in property or in securities. The two points often made are that if Belgian funds were frightened out of Luxembourg there would be a damaging capital outflow that might bring the Belgian franc under heavy pressure, and that it would deny the domestic capital market badly needed funds. The first point may be valid enough, even if the second is specious. Deposits in Luxembourg are aimed at the Euro-market, not at Belgium's gilt market or its ailing equities market.

To a lesser extent, Dutch and West German banks offer similar fiscal refuges for Belgians who live close enough to the borders to slip across without inconvenience. What makes Luxembourg so controversial a banking centre in Belgian eyes is perhaps the involvement of the Big Three Belgian banks in the Grand Duchy's growth as a financial centre.

They moved into Luxembourg for clear and unambiguous reasons, but their refusal in recent years to clarify the exact status of their Luxembourg operations has served to create mystery where probably none is justified. After some early involvement in Luxembourg during the 1920s, the Brussels bankers arrived definitively after World War II when they fully recognised that the Grand Duchy's own small banks could handle savings and retail banking but were not equipped to cope with corporate business.

The largest Belgian bank in Luxembourg is Kredietbank, which is the Flemish business community's flag carrier and ranks No. 3 in Belgium, and it set up in 1949 with an eye to Luxembourg's programme for attracting foreign investment. Among its industrial customers are the Grand Duchy's tyre and the Grand Duchy's Kent cigarette plant, both of which it feels might have gone elsewhere if Kredietbank had not been able to offer strong local support.

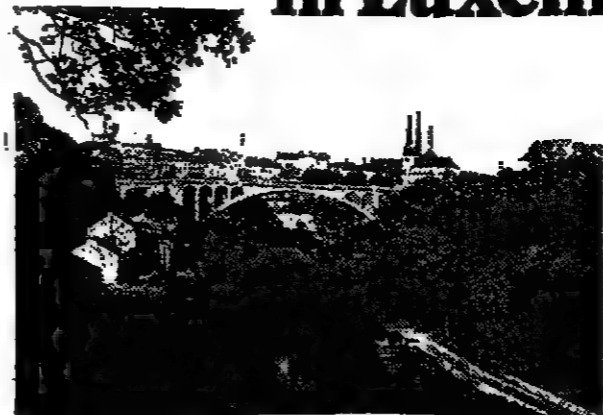
Kredietbank is also traditionally a pacemaker on the Euro-market ever since launching the first-ever Eurobond in 1961. Its Luxembourg operations have naturally centred around the Eurocurrency business. To help develop that it has carefully invited other major international banks to take small stakes in Kredietbank Luxembourg. It stresses that while being far from a consortium bank, the arrangement develops a useful relationship with such institutions as Algemeene Bank Nederland, Banco Ambrosiano, Credit Commercial de France and West-deutsche Landesbank Girozentrale.

Yet Kredietbank Luxembourg, which is quoted on the Grand Duchy's stock exchange, refuses to reveal its exact relationship with the Belgian Kredietbank parent. It will only say that it is more than 50 per cent owned by Kredietbank, and that that makes it the only Belgian bank that is clearly majority owned by its parent. For the other two top Belgian banks, Societe Generale de Banque and Banque Bruxelles Lambert, have minority interests in their respective Luxembourg operations.

Giles Merritt

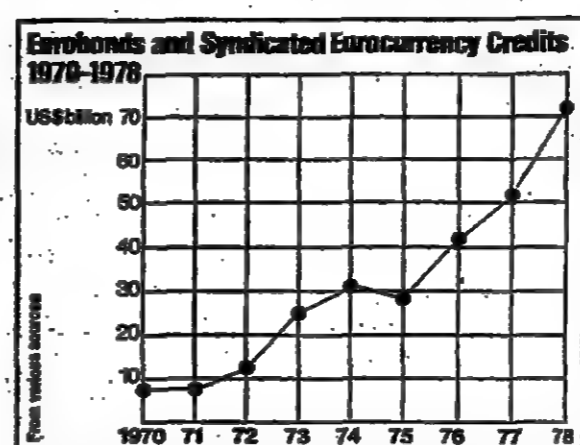
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BANKING IN LUXEMBOURG VI

Strong grip on bond market infrastructure

THE CHARACTER of Luxembourg's involvement in the market for international bonds is different from that of London. Whereas the City has emerged as a centre where the telephone market in dollar bonds is concentrated, where syndicates for dollar issues are formed, and from where a world-wide sales effort in dollar issues can be mounted, Luxembourg supplies the underlying mechanics or "infrastructure" which make the bond business possible.

Luxembourg's strong grip on a significant share of this business provides its banks with a happy stream of that risk-free service income which today's international banks are so eager to lay their hands on. It exercises this grip by providing a chain of services which is more or less complete and whose links lead on from one to the next.

The first service is the listing. Eurobonds need to be listed on a stock exchange in order to be eligible for the maximum number of international investors. A listing implies that someone official has vetted the quality of the issue, and it provides the investor with (variable) reassurances that there will always be a price for his investment should he wish to cash it in. Some countries forbid their investors from buying unlisted securities.

The Luxembourg Stock Exchange has provided a convenient listing since before Eurobonds were invented. Its costs are low and its information requirements are not onerous. As a result some 70 per cent of all international bonds are listed in Luxembourg. This does not include issues denominated in Swiss francs and Deutsche Marks, where the domestic financial communities are just as aware of the value of the listing as the Grand

Duchy and prefer to keep the business themselves.

Listing needs a listing agent and in Luxembourg this must be one of the Luxembourg banks officially recognised by the stock exchange. The bank demands a small flat fee of Lfr 100,000 per issue but, much more importantly, can generally expect to be appointed paying agent—the agent who pays out the interest on presentations of coupons and who finally redeems the bond on behalf of the borrower. The paying agent charges 1 per cent of the total value of coupons presented and 1 per cent of the final repayment of capital.

These fees become doubly interesting if, as is usual, the paying agent is appointed the authorised depository for CedeL, one of the two clearing organisations in the international bond market. Such an appointment makes it certain that a very large proportion of the bond certificates of the issue will remain in the paying agent's vaults. Not only will the bank be paid for this physical storage; the storage will make the job of coupon payment an in-house affair which can be performed in bulk with the minimum of manpower.

The bond vault at Kredietbank, one of the largest Luxembourg banks, is an impressive sight. Several billion dollars worth of bonds are arranged in movable "stacks" reminiscent of the bowels of a great library. The coupons are cut, 300 at a time, by means of hydraulic presses and counted and packaged by machine. The economies of scale are so evident that it is not surprising that the European Investment Bank, Luxembourg's most important supranational funding agency and the scourge of the Eurobond market's fee

structure, has made a fuss about the paying agency fees charged by the Luxembourg banks.

Listing agent, paying agent, CedeL depository—the final link in the service chain, still under construction, is Euxes, the computerised international bond trading system developed by an ex-official of the stock exchange. Designed from the start to provide automatic clearance through CedeL or the rival Euro-clear, Euxes will make it still more attractive for the investor to rely on computerised accounts and leave his bonds in easily handled blocks in the Luxembourg vaults.

Apart from this specialisation in infrastructure, Luxembourg's role in trading and placing international bonds has been rather dwarfed by its importance in the international banking market. Luxembourg's position in the Eurobond market 10 years ago may well have been larger, in relative terms, than it is today because the Luxembourg banks were able to serve the "Belgian dentist" and other European investors whose savings flowed so contentedly into Eurodollar bonds.

Dominant

Kredietbank Luxembourg is Luxembourg's dominant force in the business of floating international bonds. Mr. William van Mulders, the head of Kredietbank's securities section, describes how Kredietbank could rely on its Belgian/Luxembourg placing power till the bear market of 1974 when Northern Europe lost its appetite for dollar investments.

Since then the Luxembourg banks have had increasingly to look abroad to preserve their bond-placing power. With the market becoming dominated by

investing institutions the banks have, like London banks, had to develop a world-wide clientele. The problem is that there is no particular reason why such contact should be established out of Luxembourg: the country has yet to emerge as a centre for international fund management though, as we describe in a later article, it would appear to be on the way up.

As for borrowers, Luxembourg lacks major corporations but has the European Investment Bank, with its prodigious appetite for funds, and is establishing increasing contact with borrowers around the world through its activity in the syndicated loan market.

Luxembourg has found it difficult, however, to develop a currency alternative more attractive than the dollar. Issues denominated in the Swiss franc and the D-Mark tend to be deployed out of their respective countries, although Luxembourg bank subsidiaries can certainly play their part in the primary distribution of such bonds.

In neither currency can public bond issues be managed out of Luxembourg. The German banking subsidiaries have issued DM-denominated private placements on occasion but this practice was recently stopped by the Bundesbank. In short German pressure has prevented Luxembourg from developing a corresponding importance in the DM-securities market as it has developed in the Euro-DM money market.

The Luxembourg/Belgian franc should in theory provide an acceptable denomination for international securities, particularly now that the currency is part of the EMS. Euro-Luxembourg franc issues, sold only to foreign investors (and the Belgian/Luxembourg bond funds) were tried in 1971 but

the idea never really got off the ground. The offshore market in the currency was too thin to make such issues adequately marketable without the support of Belgian/Luxembourg investors. The small list of issuers also included two names, Reed International and Burmah Oil, which subsequently subtracted from the appeal of this sector of the bond market.

So, in deploying their own currency, the Luxembourg banks are limited to their yearly ration of between Lfr 5m and Lfr 6m in foreign bonds allowed under a gentleman's agreement with the Belgian central bank. The Belgian authorities are not prepared to see their domestic coupon levels undermined by too large a quantity of such foreign bonds, whose coupons are free of Belgian withholding tax even though they are available to Belgian investors.

The quest for a currency alternative has made Luxembourg banks the flag-bearers for issues in various composite currencies. The best known initiative is that of Kredietbank in issuing bonds denominated in the European Unit of Account. There have now been many issues denominated in this composite currency but the concept has never quite become self-sustaining.

According to Mr. Andre Coussens, executive director of Kredietbank Luxembourg, a composite currency needs three things to become established as a durable denomination for bond issues—sponsors, official backing and an underlying money market. The ECU has the first, has lost the second—because it is no longer an EEC accounting unit—and has never ever had the third.

Nicholas Colchester

Rivalry of clearing systems

THE COMPETITION in the business of clearing international bonds between Euro-clear of Brussels and CedeL of Luxembourg is reminiscent of the competition between railways in the 19th century. The rivalry combines all the benefits of competition with all the nonsense of duplicated effort. Within each system computerised book-keeping has eliminated a large amount of paper-shuffling from the business of bearer bonds, but vanloads of certificates still have to be shuffled to and fro to create the "bridge" which links the two systems.

An earlier article has already explained why Luxembourg banks have been able to benefit from providing a chain of services to the Eurobond market: CedeL was conceived as a vital link in that chain. Of the \$23bn nominal worth of bonds now deposited in CedeL roughly \$20bn are physically in Luxembourg with their international owners paying a fee for their safekeeping.

Risk

Euro-clear, started by Morgan Guaranty Trust, was the pioneer in international bond clearing in 1968. It ended a situation in which trading houses in the Eurobond market often had to wait weeks or even months for the physical delivery of bonds, adding greatly to the uncertainty and cost of financing such dealing. Morgan took a pioneer's risk and it paid off handsomely: CedeL was founded because Morgan could not be allowed to keep such a profitable and influential game to itself.

CedeL was set up as a co-operative venture between a large number of international banks to provide a "neutral" clearing service which would provide Euro-clear with competition. Subsequent developments suggest strongly that this competition had some impact.

Since January, 1970, when CedeL got going, the price of clearing has been reduced seven times according to CedeL's management. A steady rise in trading volume helped make these reductions possible and it is, of course, impossible to state categorically that prices would not have fallen without CedeL's emergence.

Two years after CedeL was founded Morgan divested itself of ownership of Euro-clear and put it on to the same sort of basis as CedeL to remove any suspicions of conflict of interest or concentration of benefit. Nevertheless, CedeL's managing director, Mr. Francois Toldalagi, and manager, Mr. Gerard Soisson, point out with relish the operational links which still bind

Euro-clear to its founder. Indeed, they make it obvious that even after almost 10 years of joint existence, the rivalry between the two systems is as healthy as ever.

Although there are now few major differences between the two systems CedeL is still having to play a role in Euro-clear's Hertz. Euro-clear currently has about \$29bn nominal of bonds on deposit, against CedeL's \$25bn, and Euro-clear's turnover to the end of August 1979 was \$65bn against CedeL's \$35bn. Euro-clear has the advantage of being the most popular clearing agency in the London market while this London market has steadily increased its domination of the dollar part of international bond trading.

Euro-clear has had the upper hand in London because it was the first clearing system, because its links with a big and important U.S. bank allow it to finance trading without complication, and because its "fungible" approach to securities clearing, where any bond certificate is interchangeable with any other, is consistent with Anglo-American practice.

CedeL, on the other hand, was set up along more Continental lines to cater for laws in some countries—Italy, France, Germany—which lay down that each bond must have a specific owner or that its whereabouts must be pinpointed. To this end CedeL allocates all examples of a particular bond to a single depository, usually in Luxembourg, whereas Euro-clear has an international network of depositories.

The result is that CedeL appears to have an advantage in the clearing of non-dollar international bonds except where it runs into conflict with countries such as Switzerland which would rather profit from the handling of Swiss franc bonds themselves.

CedeL has recently taken steps to boost its presence in London. It asked a group of management consultants called Creative Business to carry out a poll of bond market operators in London and find out what conceptions and misconceptions were hindering CedeL's business there. As a result of this exercise CedeL has opened a representative office to improve its contact with customers.

The advantages which CedeL's management claim for their system, and which the London office will be hoping to drive home, are that CedeL is cheaper in some areas than Euro-clear and that its centralised depositories allows it to clip coupons closer to the payment date than Euro-clear. CedeL claims that the latter point helps prevent confusion when bonds

are delivered out of the clearing system close to the coupon date.

Creative Business found CedeL's most important handicap to be in the provision of loans, either of bonds or of finance, to market-makers. Here Euro-clear's close links with one particular bank give it an advantage. All loans in whatever currency made by Euro-clear are backed by Morgan Guaranty and are made on terms which Morgan decides. Similarly, all loans of bonds from one account to another within Euro-clear are made with Morgan's guarantee. The Euro-clear interest rate has become established as one of

the bond market's fundamentals.

CedeL cannot single out one of its sponsor banks to provide a counterpart to Morgan. Instead, a dealer can borrow from CedeL for 48 hours but thereafter must negotiate terms for direct funding with one of a number of CedeL's sponsors. To match Euro-clear's ability to arrange loans of securities CedeL has had to set up a system where a syndicate of banks led by Citibank provides the necessary guarantees.

This manoeuvring to exploit or eliminate relatively small differences between two systems appears symptomatic of

competition at work. Neither participant shows the slightest sign of being ousted by the other and together CedeL and Euro-clear ensure that the business of clearing is not one of those areas of the Eurobond business where the customers are asserting a gradually increasing pressure for change.

But, as with those 19th century railways, the feature which prompts most adverse comment is the link between the two systems. The "bridge" is still inadequate and both CedeL and Euro-clear are working on it.

Nicholas Colchester

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Eurex: push-button trading

EUREX IS the latest example of an initiative based in Luxembourg and aimed at developing the "infrastructure" of the international bond market. It is an ambitious conceived computerised trading system, and if it succeeds it will undoubtedly add to Luxembourg's stature not as a place for trading international bonds, because Eurex participants can trade and entertain each other almost anywhere, but as an administrative centre of the international capital market.

The essence of the system is that it silently matches the requirements of bond buyers and sellers with the best prices offered by market-makers. Having asked the participants' permission to continue with its suggested deals, it then clears the transactions by informing the clearing system of the deals and automatically printing out confirmation slips for the participants.

Finally, Eurex updates the private computerised book of the market-makers involved. The flat fee for all this is L.Fr. 200 (£3) per trade, charged to both buyer and seller.

In the course of this matching and trading the system can build up a formidable amount of information about the state of the market. In suitably lauded form this will be the information available to Eurex participants: the current average market price for each bond, the highs and lows on the previous day it was traded, yields, indications of trading volume, perhaps even indices, and all the essential details about each bond traded on the system.

As with so many other developments in this age of "future shock", the critical question for Eurex is not whether the machine can work for man but whether man will choose to work with machine. Computerised trading

systems have been around for a decade now and for all their limitless possibilities the market makers of the world have bided their time in getting round to using them.

Eurex is building up to its launch at a rosy time in the international bond market. The trading volume in dollar bonds is right down and the market is full of talk about losses among market makers. The atmosphere into which this rather threatening development will be launched is therefore not a happy one.

Eurex's designers have cleverly made allowance for initial scepticism by organising Eurex so that it can be used as a particularly efficient way of doing the back-office work needed to put through any deal negotiated and transacted down the telephone in the established manner.

The price to deliver contract notes and clearing instructions (and to update each user's position display) is BFr. 90 (£1.20) a time. The Eurex management is reckoning on at least 250 telephone trades being cleared in this way every day, whatever happens to proper Eurex-style trading, when the system finally gets going sometime in October.

Diffuse

Eurex was conceived by Mr. Henri Grisius, an official with the Luxembourg Stock Exchange, in 1973. In the participatory style which is the hallmark of Cedel, Mr. Grisius invited a great number of international banks to chip in towards a study project. He got positive replies during the summer of 1973 from 89 banks, each of which was ready to contribute \$1,000 to pay a small team led by Grisius to get to grips with the complexities of the international bond market and to devise an automated

trading system which its participants might use.

Eurex was established as a company in 1977. Some 33 banks agreed to buy shares; they were allowed to buy between three and eight shares, each at a price of L.Fr. 200,000, in order to keep the ownership diffuse. Eurex raised an initial capital of L.Fr. 30m. This handsomely covered the L.Fr. 20m needed to sign a three-year contract with IBM to develop the detailed software for the trading, deal-conformation, and information system.

The selling of Eurex to potential users has now been going on for about nine months and has clearly been hard work. Doggedly persistent rather than inspirational, Henri Grisius and his team of seven have assembled what they claim to be 79 firm agreements to participate in Eurex of which only about one-third have currently had on-line equipment installed.

At the moment there are 12 market makers. A number of big names which are conspicuously absent from the list, but Henri Grisius is reassured by the thought that "even with Euro-clear it was not the big banks which joined first."

The initial line up of participants is oriented heavily towards trading in dollar bonds and in the currencies which play a relatively small role in the Eurobond markets. It is apparent that if the big Swiss and German banks are represented on the list of participants it is through their subsidiaries abroad. The inference is that both these countries are anxious to keep trading of bonds denominated in their respective currencies at home and off Eurex for the moment.

The only fees charged by Eurex will be the flat fees per transaction already described. Eurex will bear the cost of the telecommunications network it

has arranged to link all participants to the central computer in Luxembourg.

However participants will have to pay for the leased equipment they need in their offices. The full set-up needed by a market-maker — comprising a minicomputer, trading screen(s) and fast printer(s) — costs about L.Fr. 50,000-120,000 (£70-£180) a month.

A participant who wants only to buy and sell on the Eurex market needs only a fast typewriter, terminal which costs L.Fr. 20,000 a month. He uses

this to place his orders and to receive confirmation slips and, in the morning to get lists of indicated prices from those market makers with whom he has made the necessary arrangements.

Users can also trade on Eurex over the telex — this is currently the only way Eurex can be hooked up with Hong Kong, for instance — but the process is a leisurely one and the user has to pay the line costs for this.

Henri Grisius maintains that Eurex will go live in October. But complex computerised com-

munications systems seem fated to be delayed and Eurex has already proved no exception. It appears almost inevitable that after having already faced the indignation of market-makers, convinced that human contact down the phone is indispensable to bond-trading judgment, Henri Grisius and his team must now face many months of indignation at broken lines, flaws in "software," and terminals which refuse to understand faulty instructions in the heat of the moment.

Nicho's Colchester

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Financial Highlights 1978 Lfrs million

Total Assets	68,186
Liquid Assets	8,118
Balances with Banks and Financial Institutions	28,965
Advances	16,901
Securities	12,350
Liabilities to Banks and Financial Institutions	59,575
Other Liabilities	5,561
Capital and Reserves	2,849

For more information about DGZ International just get in touch with us.



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Scandinavian banks arrive

THERE ARE now 108 banks operating in Luxembourg. The heavyweights among them are still German (they account for the top five places in the list) but over the past few years they and the long-established Belgian banks have been joined by a flood of others from all corners of the globe. Many of them still run modest operations from offices hidden behind discreet name-plates on the Rue Royale but their growth testifies to the development of Luxembourg as a genuinely international banking centre.

After the Germans, the first banks to arrive in any strength were the Americans. Their experience has not been entirely happy and their numbers have sagged to 13 from 17 in the peak years of 1973 and 1974. Mr. Patrick L. Cunningham, managing director of Bank of America International, admits that the position of U.S. banks in Luxembourg is "a mess" and other bankers bear out his view.

The U.S. banks came to Luxembourg partly with the intention of conducting local banking and partly to see whether international lending could be managed from there. The local business proved too small to justify the cost of an office and international business could be done more easily and often more cheaply from London.

The latest bank to go is Wells Fargo. Mr. Alan Holroyde, managing director of Wells Fargo Limited in London, said the decision was part of the bank's consolidation of all European, African and Middle East activities in London. The bank's international operations were moved out in January 1978 and it was later decided that the residual local business was insufficient to maintain a presence there.

Mr. Holroyde also noted that the fall of the dollar has created problems for dollar-based banks doing business in Europe. The withdrawal of Wells Fargo was particularly significant as it was the first U.S. bank to establish a beach-head in the Duchy.

Many U.S. houses have found that Luxembourg, with its high corporate tax rates, does not offer the advantages of an offshore centre like Nassau, or of the particularly significant as it was the first U.S. bank to establish a beach-head in the Duchy.

Manufacturers Hanover will establish an office soon, although the carrot is reported to have been less the banking opportunities than Luxembourg's pending double-taxation treaty with Brazil. Another bank, European-American, has just opened a branch there. Mr. Geoffrey Bell, the bank's

general manager, admits that the reason for coming was partly diplomatic. European-American already has a sister bank in London and did not want to make its European debut by treading on some one's toes. Mr. Bell says the bank will service the European subsidiaries of U.S. clients, concentrating on money and foreign exchange market dealing, as well as extending the bank's foreign exchange advisory scheme. Some local funding is also a possibility eventually.

If the American banks have on the whole been getting cold feet about Luxembourg, the same cannot be said for the Scandinavians who now outnumber all groups but the Germans.

Counterweight

There are now 14 Scandinavian banks; most have arrived since 1976. They have been given a warm welcome as they emphasise the international development of the Duchy and, in particular, provide a counterweight to the German presence.

Basically, however, they confine themselves to business on behalf of clients at home and use Luxembourg to avoid domestic credit ceilings. All Scandinavian countries are now net Euromarket borrowers, so the banks are not in a strong position to lend in the syndicated loan market.

Mr. Ole H. Aamodt, managing director of Den norske Creditbank, says that 70 to 80 per cent of his loan portfolio is made up of Norwegian-related risk, with a similar proportion of corporate deposits being essentially Norwegian. This is partly a reflection of official Norwegian policy, which ties in with its strategy of financing investment from abroad.

The Scandinavian presence in the money and foreign exchange markets is largely confined to client business. Their interests are, therefore, fairly specialised and Mr. Aamodt believes the influx is almost over, though some Swedish regional banks may find it worthwhile coming to Luxembourg. Nor are the existing banks likely to grow so fast in the future as they have in the past year or two. A rough plateau (around 15 per cent of the size of the parent bank) is reached within a few years, Mr. Aamodt believes.

There is in fact a possibility that Luxembourg may become less attractive for the Scandinavians. Over the past two years reserve requirements in Norway and Sweden have been relaxed to allow parent banks to conduct a portion of Euro-

market business for domestic clients at home. This may tarnish the Duchy's appeal, though Mr. Aamodt believes Swedish banks at least could compensate by playing an increasingly international role.

Swiss banks are another group which have been making their presence felt (there are now six banks in the Duchy), but their role is almost entirely different from that of the Norwegians or Americans. Domestic restrictions on international capital transactions in 1977 persuaded the Swiss to collect surplus liquidity in Luxembourg, in the form of short-term deposits, and then use the funds to supply the money market there. According to Mr. Walter Kobel, director of Union de Banques Suisses (Luxembourg), money market transactions comprise around 90 per cent of the business volume of Swiss banks in Luxembourg. He is also the first to admit that the political and economic stability of the country is a major attraction for the cautious Swiss.

Luxembourg also has its appeal for Italian banks, which take in lira deposits and are fairly active traders. The volume of business they conduct is fairly small, however, and parent bank control is tight.

Japanese banks also maintain a presence in Luxembourg though, like the Americans, they find little to do there that cannot be done from London.

Conspicuous among recent arrivals have been countries making their first sortie to Luxembourg. The first British bank to be represented here is Warburg, through Banques S. G. Warburg & Co.

Its arrival is unlikely to herald a British invasion, however. The bank is a consortium which also includes Bank Leu of Zurich and Effectenbank Warburg of Frankfurt, both of which need to be in Luxembourg to service domestic clients. Like the Dutch in the Antilles, the British have their own market in London.

Another bank which has just set up shop is Bank of China. The office is the first to be opened outside China since the revolution of 1949. Mr. Wu Ming-Hsin, the assistant manager, says Luxembourg's location was a major factor. The country has good communications and is also an excellent centre for the EEC. The bank has so far concentrated its activities on the inter-bank money market (and to a lesser extent in foreign exchange) but is also anxious to do client business with Chinese residents in the Benelux area and may eventually become involved in the syndicated loan market.

John Makinson

Nord Lux '78



ACTIVITIES

- ◆ short and medium-term euro-currency loans, forfait transactions and guarantees
- ◆ money and foreign exchange dealing
- ◆ dealing in securities
- ◆ acting as trustee
- ◆ accepting of deposits

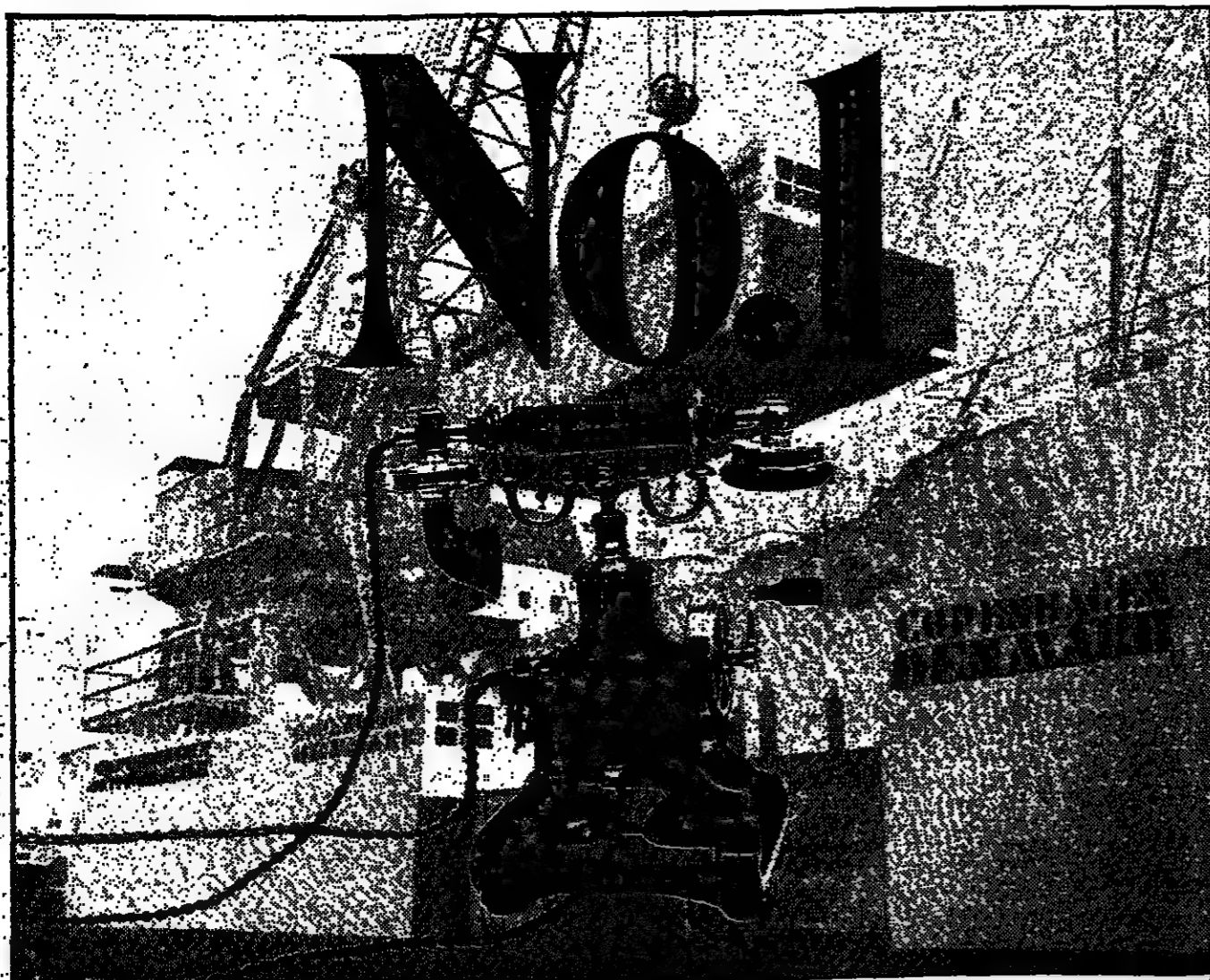
FINANCIAL HIGHLIGHTS 1978 (as of Dec. 31st) in Mio DM

Loans	1.179	Deposits	3.119
Due from banks	1.728	Capital funds	108
Bonds	353	Dividend payment	10%
Balance sheet total		3.307	

Norddeutsche Landesbank INTERNATIONAL Société Anonyme Luxembourg

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TELEPHONE: 47 23 91-1 (General Service) 47 08 01-07 (Arbitrage) 2 92 41-44 (Bonds)
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Commercial Register Lux. B 10405



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Bayerische Vereinsbank one of Germany's major banks reports:

Bayerische Vereinsbank Group 30.6.79 (all figures in billion DM)

Total Assets

77.2

Due to Customers

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Due from Customers

17.9

Bonds Issued

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Mortgage and Public Authority Loans

42.3

Capital Resources

1.8

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INCORPORATING BAYERISCHE STAATSBANK AG

BANKING IN LUXEMBOURG VIII

A local big lender

THE HEADQUARTERS of the European Investment Bank are located between the city of Luxembourg's banking community, on the opposite side of the river, and the cluster of other EEC buildings on the Kirchberg behind it.

This may be a geographical accident (and the EIB will soon be moving into brand new Kirchberg premises) but it neatly sums up the bank's role in the city. On the one hand, it is among the largest and most innovative borrowers from the commercial banks represented in the Grand Duchy. On the other, it is the EEC's main lending arm, operating from a state which has always played a major role in the European Community.

The EIB took up residence in 1968 as compensation for the removal of the European Coal and Steel Community to Brussels.

The bank was established 21 years ago under the provisions of the Treaty of Rome to operate as a non-profit-making body. Its purpose was to provide loans and guarantees in the following areas:

- projects for developing less-developed areas;
- projects for modernising industry or converting plants;
- projects of common interest to several member States.

The EIB traditionally has concentrated on the first of these functions, notably the financing of projects in Southern Italy and in the UK and Ireland since their accession to the Community. More recently, however, it has expanded its lending for projects of common interest to several member States.

Last year, for example, energy loans accounted for 37 per cent of EIB loans provided within the Community; transport and telecommunications for 32 per cent water schemes (of which the UK is a principal beneficiary) for 16 per cent; and other credits—industry, agriculture and services—for 15 per cent.

EIB policy is formulated by its nine governors, who are generally finance or economic Ministers of member states. There is also a board of directors and a management committee, which makes day-to-day decisions about the bank's operations. Member states contribute proportionately to the EIB's capital, which is denominated in units of account and was doubled last year to 7.1bn us (\$9.5bn). The bank's statute provides that loans and guarantees must not total more than 250 per cent of subscribed capital.

The doubling of capital testifies to the recent acceleration in the bank's operations. Loans provided last year amounted to 2.18bn us (\$2.8bn), an increase of 39 per cent over the previous year and not far from the figure of 2.8bn ex-

tended for the whole period between 1958 and 1972.

According to M. Yves Le Portz, the bank's president, lending this year under existing arrangements will be 20 to 30 per cent above 1978 levels. Because of the difficulty of forecasting completion dates for loans, and loan demand itself, M. Le Portz is reluctant to be drawn into giving precise estimates for this year or next.

The recent growth in EIB activities is partly a reflection of the enlargement of the Community itself. The UK and Ireland are both now heavy borrowers. Furthermore, the continuing regional discrepancies within the EEC have led the bank, with the encouragement of Brussels, to intensify its efforts in this direction. The increase in projects of common interest has also contributed to the expansion, and the steep rise in oil prices has added an air of urgency to the bank's interests in the energy field.

M. Le Portz says that EIB lending on energy projects is already ahead of the total for last year, but that the bank would like to be still more active if the opportunities arose. He would also prefer to be doing more for manufacturing industry, but loan demand in this area is slack and the EIB's credit terms have until now been dictated by the market. High international interest rates are therefore a problem.

Independence

Two other developments have helped to swell the balance sheet. First, the bank has become increasingly involved in lending to countries outside the EEC. These fall into two broad groups: African, Caribbean and Pacific (ACP) states which were signatories to the Yaounde and Lome agreements; and Mediterranean countries bordering the EEC.

The ACP countries have mostly attained their independence since the framing of the Treaty of Rome, which made provision for aiding newly-independent countries. The economic difficulties of many ACP states have been exacerbated by the oil crisis and the bank's credits have been stepped up accordingly—with an eye to the countries' importance as suppliers of raw materials. The bank very occasionally takes equity stakes as part of its funding operations in this area.

The group of Mediterranean countries eligible for EIB loans has been growing and beneficiaries now include Lebanon and Yugoslavia. According to M. Portz, however, there are no current plans to extend the number. The central stimulus to lending in this area has been the imminent accession of Spain—and later Greece and Portugal—to the EEC. Credits to these countries, and to Turkey, are

growing rapidly in anticipation of the still greater divergence in regional wealth which their membership will engender.

Lending to non-EEC countries so far this year is already far ahead of the total for 1978, when it accounted for about 10 per cent of overall credit volume. Although the EIB has never experienced a bad debt (any failures have been covered by guarantees), it is conscious of the need to protect its "AAA" rating in the capital markets and would be reluctant to lend too extensively in "risk" areas.

The other major, and more recent, development in EIB lending has been its use of national agencies to "on-lend." In this way, it can reach small and medium-sized enterprises, leaving analysis of any project to the local authority. Apart from extending the scope of EIB operations, this system also creates proportionately more jobs than would be the case for a major credit.

Under the terms of the scheme, the EIB makes a sum available to an intermediary, which then sub-divides the amount into smaller parcels—down to a minimum of 25,000 units of account. The loans may finance as much as 50 per cent of fixed investment costs up to a maximum of 4m us. The system was introduced in 1968 and since then more than 1,000 credits have been made available, many of them to the UK.

Prof. Richard Ross, British representative on the EIB's Board of directors, says the change of Government in the UK has not had any effect so far on lending in the country.

Since regional credits are extended exclusively to depressed areas, however, he accepts that the Conservative Government's decision to reduce the extent of these regions over a transitional period may have some impact eventually.

A problem with the scheme, highlighted by the case of the UK, is the reluctance of borrowers to accept the exchange risk of loans denominated in foreign currencies. Because the EIB loan portfolio is determined by the way it raises money (which owes to the capital market structure must be to a great extent in dollars) foreign currency lending is inevitable. Understanding enough, national governments are often hesitant about taking over the exchange risks themselves. The European Monetary System may help, nonetheless, to mitigate the problem by limiting fluctuations—at least between European countries.

The EIB has been as innovative in the funding side of its operations as in its lending. This is partly making a virtue out of necessity since it is obliged

to borrow a broad base of currencies in order to match its loan side. The bank was therefore among the first to float issues on the international capital markets in, for example, sterling and guilders.

The innovative spirit extends to its methods and instruments of borrowing. In July of this year the bank went to the Euro-bond market to raise between \$100m and \$150m. The unusual feature of the issue was that the bank did so through a public tender.

Auction

Its decision to raise money through a competitive auction (and then publish the results) met with criticism in some areas of the banking community but M. Le Portz defends the move by saying that the normal system is not tailored to the borrower. He also notes that this method has been used by the bank before on a more limited basis and points to the success of the issue on the secondary market.

Two other new practices are currently being introduced by the bank. One is a special facility of 1bn u.s. borrowed directly by the EEC and passed on to the EIB for allocation. An initial 500m u.s. tranche of this facility, known as the New Community Instrument, has already been authorised and the bank is in the process of allocating the first loans to be drawn from it.

The background to the facility is largely political—emphasising the EEC's direct involvement in community financing—but M. Le Portz also hopes that banks which are already brimming with EIB paper, will welcome paper issued in the EEC's name.

The second new idea to be introduced is the subsidised interest rate. As a concession to the less-prosperous countries joining the EMS, namely Ireland and Italy, the EEC has agreed to provide through the EIB a 3 per cent interest subsidy on certain loans, totalling 1bn u.s. per annum over five years. The subsidy will be met from the Community budget.

It is certain, however, that the EIB will continue to expand its activities, limited only by the demand for credit, the capacity of the capital markets to absorb its paper and the ceilings imposed by its capital (M. Le Portz does not expect the present ceiling to be reached before the beginning of 1982).

Other, more glorious roles have occasionally been imagined for the EIB—namely that of a European central bank. M. Le Portz does not see this as the EIB's role and, given the bank's rapid growth he probably has enough on his plate matching supply and demand for his money in a traditional banking fashion.

John Makinson

Portfolio business soars

PORTFOLIO management, the service that banks accord to major personal fortunes or to corporate customers, remains a predominantly Swiss business but one where Luxembourg has emerged as a potential rival. As a British banker who has been watching the situation from the sidelines of Brussels remarked: "The Luxembourg banks are No. 2, and they are trying harder."

It is not only Luxembourg's snowballing importance in the Euro-market that has brought such Swiss giants as the Union Bank of Switzerland or the Swiss Banking Corporation to the Grand Duchy. According to other international banks now active in Luxembourg, the Swiss are concerned to safeguard as much of their lucrative portfolio management business as they can.

For the growth in the Luxembourg banks' portfolio business stems from conditions in Switzerland itself. The Swiss banks have developed obvious weaknesses, and some that are not so obvious but are nevertheless very important. The obvious ones range from poorer service and higher costs to the Swiss than to Luxembourg. Banking services in the smaller Swiss towns are still reckoned to be excellent, but in the major centres customer relations are often judged to have become impersonal and inefficient. "We have numbered accounts, and are treated only as numbers," complained one, dissatisfied client not long ago when moving his business from Switzerland to Luxembourg.

Options

The key weakness that the Luxembourg banks are now beginning to exploit is a much less obvious one. It is, they say, the Swiss practice of placing investors' funds outside Switzerland in order to avoid local withholding taxes. Clients frequently do not know where their money is.

Luxembourg bankers point out that Swiss banks offer investors two main options. Either clients may deposit their funds, which then become subject to withholding tax which

in the case of Swiss franc deposits can amount to a penal 35 per cent. Alternatively, they can choose the banks' fiduciary services. In that case, the customers' funds are placed in the bank's name with foreign banks in the Euro-market.

The volume of this business, which the Swiss banks' customers frequently opt for, is naturally impossible to calculate. But some of the Luxembourg Euro-banks which accept these funds that are ostensibly Swiss banks' deposits estimate that "hundreds of millions of D-Marks, if not billions," have been funnelled out of Switzerland on to the Luxembourg market.

Commission

At first sight the practice might appear satisfactory to all concerned. The Luxembourg Euro-banks point out, however, that not only do these fiduciary funds yield less than the inter-bank rate, but that the Swiss banks naturally charge a yearly fiduciary commission that varies between 1 and 2 per cent. In short, investors would do better, it is claimed, to go straight to Luxembourg and receive the same rate of interest without having to pay Swiss charges.

Investment management is now estimated in Luxembourg to be growing very rapidly in volume, and not only because of the attempts being made to attract business away from Switzerland. The major West German banks, which account for rather more than half of foreign banks' activity in Luxembourg, have also brought custom with them. Because the Euro-banks recognise that their inter-bank and money market business is only accidentally based in tiny Luxembourg, access to the Euro-market being little different to access to a telephone—there has been a deliberate policy of developing investment services that will make Luxembourg a more substantial and firmly-rooted financial centre.

Arab investors were in the vanguard of those who transferred major portfolios to Luxembourg. Originally active

in West Germany, many of them became concerned when the Bonn Government established increasingly close diplomatic relations with Israel, and switched their holdings to West German banks operating in the Grand Duchy. Another factor that prompted West German investors to favour Luxembourg was the latest Swiss-German double taxation agreement, which raised doubts over Swiss banking secrecy by granting officialdom greater access to information in certain circumstances.

Luxembourg nowadays stresses that its numbered accounts offer greater secrecy than do those of Switzerland. It

also offers a competitive array of currency and interest rate arbitrage skills, although little in the way of equity management. Above all, perhaps, the Luxembourg-based banks are free to adjust their charges as they please, and seem determined to continue undercutting their Swiss competitors. They have a long way to go, of course, before they seriously erode Switzerland's lead in the field. But it is perhaps more than a straw in the wind that Dresdner Bank International, calculates that almost 25 per cent of its balance sheet is made up of investment funds.

Giles Merritt

Banque Nordeurope S.A.

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Liberal revivals: three steps forward, two back

THE UNDERLYING theme of the Liberal Party Assembly in Margate this week, and one suspects of present day British politics, is economic growth, or rather the lack of it. It is not so much whether or not growth is desirable, though that too is being debated in Margate. It is much more an assumption that growth in the future, if it takes place at all, will be severely limited.

The assumption may be wrong, but it is correct the question for a political party is what to do about it. How is it possible to adapt to reduced circumstances and to avoid what has been called the revolution of falling expectations?

In Britain the no or low growth assumption is probably right, at any rate if one extrapolates from the past. It is not just the energy crisis or what the ecologists describe as the finite nature of the world's resources that are holding us back. We have been a low growth country for a long time. What is new is the dawning realisation that we cannot go on behaving as if we are not.

All three main political parties now seem to be aware of this in their different ways. The rationale for Mrs. Thatcher's expenditure cuts is that public spending must be brought within our means. Economic growth may follow both from that and from various other Tory measures, but the Government does not claim that it will automatically.

Labour's organisational problems and power struggles apart, the real argument in the Labour Party is about how to achieve socialist or even social-democratic aims if the economy does not grow fast enough to pay for them. In other words, if the cake will not expand, it comes back to redistribution.

It is the same with the Liberals. The party is groping

this week towards finding a way of reconciling the old values of fairness and compassion with reduced expectations, and to some extent with the new values of conservation. The "redistribution" has not often crossed the lips, but it is clear that that is what they are beginning to talk about. They are discussing how to achieve a fair and tolerant — or, if you like, a liberal — society within the base of existing resources.

Of course, the Liberals have not yet found an answer and they are not without their own internal divisions. Yet it does seem a reasonable supposition that the problem of reconciling old growth with old political ideals will remain on the national agenda for some years to come. In that case, the Liberals are in at the start.

How else are the Liberals faring and, more to the point, will they be in at the finish, by which time the next general election?

'Void' theory

They are, in good heart. The theory of Mr. David Steel, the party leader, is that there is now a void in British politics created by Mrs. Thatcher moving the Tory Party to the right and by the dissections within the Labour Party. It is the natural function of the Liberals to fill it. Mr. Steel is going for a Liberal revival that lasts.

On the face of it, there is a good deal in his favour. As the accompanying table suggests, the Liberal Party tends very broadly to advance by a process of three steps forward, two steps back: at least it does if you chart the progress from about the mid-1950s. The modern Liberal Party, Mr. Steel believes, has its origins in 1956, the year in which Mr. Jo

Grimsdon became leader.

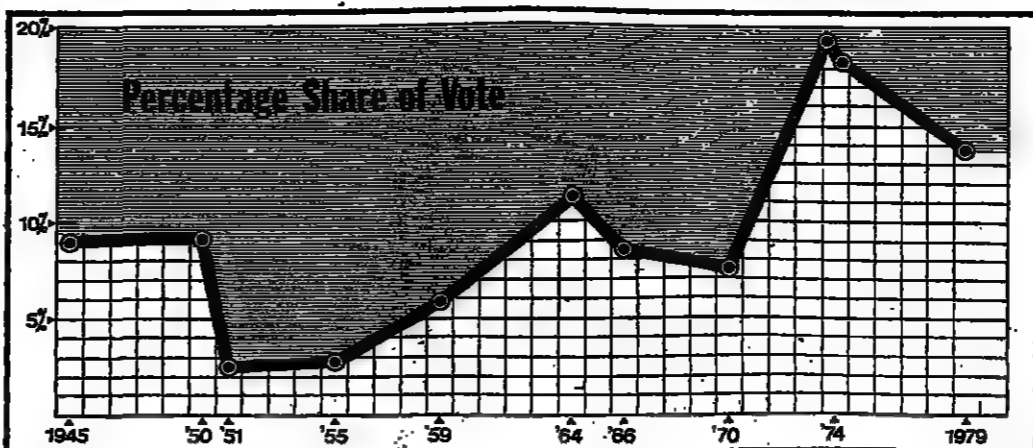
According to this rough and ready formula, the party is now poised for another advance. It has taken its two steps back since the successes of 1974, but the election of 1979 still left it — by Liberal standards — in a reasonably strong position. At the same time, many of its internal quarrels are over. There is no threat to the leadership and Mr. Steel himself seems to be a distinctly popular figure in the country. The party's finances have been put in order and the Thorpe affair is being forgotten. Not least, the Liberals are now entrenched in local government, even if the geographical pattern is patchy. The district election results in May this year were the best they have achieved since 1973.

It is therefore a matter of exploiting this position. If Mr. Steel has his way, there will be no great changes in policy, but only a constant process of adaptation to new circumstances. The organisation will be further improved with emphasis on local elections and by-elections. There does not at the moment appear to be any particular idea of singling out certain kinds of seats as typically Liberal: the campaign will be nationwide, though a special task force will be thrown in wherever a by-election takes place. (Manchester Central, where a by-election was held yesterday, was regarded as an unfortunate starter: the Liberal performance in the general election there was about the worst in the country.)

Those are the plus points. There are also a few minus. In the first place, apart from Mr. Steel, the party is now desperately short of nationally known figures. This is particularly so since Mr. John Pardoe lost his seat in the election. Mr. Grimsdon is getting on and is increasingly tied up with the

LIBERALS AND GENERAL ELECTIONS 1945-79

	1945	1950	1951	1955	1959	1964	1966	1970	Feb. 1974	Oct. 1974	1979
Seats	12	9	6	6	6	9	12	6	14	13	11
No. of candidates	306	475	109	110	116	345	311	333	517	419	576
Lost deposits	76	319	66	60	55	52	104	184	23	125	304



problems of Orkney and Shetland. Mr. Cyril Smith is well known for his size and Mr. Clement Freud for his broad-casting, but they are hardly seen as national political leaders. It is going to be a question of bringing on such figures as Mr. David Alton, Mr. Alan Beith and Mr. David Penhaligon, if the Liberal Party is not to appear as a one man band at the national level.

Mr. Pardoe's departure, which one hopes will be temporary, may also have created some thing of a policy gap. As the party's economic spokesman, he was fluent, original and generally respected. It is difficult to see Mr. Richard Wainwright, his successor, in

anything like the same light. There is a problem, too, in that the Tories have already introduced some of the Liberals' ideas on taxation, for example, as national political leaders. It is going to be a question of bringing on such figures as Mr. David Alton, Mr. Alan Beith and Mr. David Penhaligon, if the Liberal Party is not to appear as a one man band at the national level.

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Liberals are already leaning towards his party, while yet others are seeking to make ecology the main plank in the Liberal platform. It is one of the fears of Mr. Steel that the Liberals will become identified with the "ecologists". The example of West Germany is borne in mind where the Liberal Free Democrats have lost votes to the "green parties".

A great deal will depend on what happens to the anti-nuclear movement in Britain. If the Government goes ahead fast with plans to expand nuclear power, and the opposition to it grows, there are many Liberals who will want to take the lead in the anti-nuclear campaign. At present, party policy is con-

tinued to opposing new reactors until there are greater assurances about safety, but it is an issue on which more could be heard and on which some Liberal support could be lost to the ecologists.

It seems to me, however, that the real doubt about a sustained Liberal revival is somewhat different. Mr. Steel may be right about the void in the middle ground of British politics today, but one cannot easily imagine that either of the big parties will be foolish enough to allow it to exist for long. In particular, one would expect that they would themselves move back to the middle ground if the Liberals set off on a pattern of by-election successes. It is therefore tempting to predict that there will be a Liberal revival over the next two years or so, but that it will have peaked well before the general election approaches. Certainly that is what some Liberal MPs already fear. In the end it will be a question of the Liberals not having enough resources and not commanding the big battalions.

In this context it is worth noting how some Liberals and some social democrats in the Labour Party are already thinking alike about the future. Two pamphlets published in the last few days bring this out. One is by Mr. Giles Radice, the Labour MP for Chester-le-Street, and is called "Community Socialism". The title itself is revealing in that it shows the way the author is drawing on the Liberal development of community politics: for instance, by setting out to win votes by stressing local interests and local issues. The pamphlet also discusses redistribution. Mr. Radice suggests that it might be possible to establish a ratio of around seven or eight to one between top and average earnings before tax.

The Liberal pamphlet is by Mr. Richard Holmes, the party's probable President-elect. Mr. Holmes floats the idea of an income range of between one and a factor of five or six.

Apart from noting that the Liberal vision of the future appears to be considerably more egalitarian than that of the right wing of the Labour Party, it may be worth adding that the extremely well-equipped Swedish trade union movement has been working solidly on egalitarianism for nearly a decade and has still not come up with an answer.

Gamble remains

Yet it remains interesting to find Liberals and social democrats thinking along the same lines. The idea at least, if not Mr. Holmes's suggested ratio, has of the subjects on which he hopes Mr. Pardoe can continue to work, despite his absence from Parliament.

In the end it remains a gamble. Mrs. Thatcher's government, after all has yet to show that it will inevitably fail to turn Britain round. Yet if low or no growth is to be the pattern, the Liberals at least are thinking about the consequences. In the past, Liberal revivals have tended to stem from Tory disaffection during periods of Conservative rule. The Liberals now hope that they can draw at least equally from disaffected Labour voters. But they should beware of assuming that they will continue to have the middle ground entirely to themselves.

* Fabian Tract 464, Fabian Society, price 65p. + 1984, The Real Alternative, Liberal Publication Department, price 50p.

Malcolm Rutherford

Letters to the Editor

Wage claims and productivity

From the General Manager, Robert Hutchison and Co.

Sir,—I have been astonished recently by the views expressed by the CBI on wage claims and productivity, and it is depressing to find them shared by you in your letter (September 20). "The high cost of inflation." You suggest that there should be no "going rate" for wage claims, but that successful companies should pay more and unsuccessful ones less. The practical arguments against this idea are overwhelming. Every manager in industry knows that, whatever attempts at worker participation are made, hourly paid workers are just not in the job to share the risks of their business, at least not in the extent of having their earnings related to its success or failure. Any enforcement of such a principle would result in workers with greater or more marketable skills leaving a company which might be in only temporary straits, and thereby ensuring its continuing failure. Once having dropped behind in the payment league, an employer could never attract the better quality of labour it might need to climb back.

The fact that unions use company profits as an argument for higher wages does not mean in any way that they accept the principle of earnings being related to success: the very instances you quote, such as the 26 per cent claim by BL workers, proves the point. The real issue which unions and workers are concerned with is getting the best rate for the job, and anything worse than the rate paid for similar jobs in the same area or industry is just not going to be accepted. If a company can't pay the going rate for labour it won't get labour, and just because it is doing badly, there is no reason for it to get labour on the cheap any more than fuel or other materials. Equally, if a company is doing well, there is no reason why it should affect its competitive position by paying more than the going rate. That surely is the basis on which employers should negotiate.

If the CBI and others in their ivory towers wish to take issue on points of principle, why don't they have a go at the spurious "productivity" deals which turn up year after year in the same industries. The practice under which, especially in periods of general wage restraint, some workers are paid extra simply to do their job, is repugnant and wholly unfair to the mass of employees in companies such as the one in which I work, who do a fair days work as a matter of course.

W. J. Turcan,
Robert Hutchison and Co.,
East Briden, Kirkcaldy,
Fife, KY11 1T.

Confiscation by the state

From Mr. A. Furse

Sir,—As liquidator of a small investment holding company put into voluntary liquidation in September, 1977, I was obliged to lodge any surplus funds with the Board of Trade at the end of the first six months period following completion of the liquidation. Application was made for the repayment of these funds and I have recently received a cheque repaying the original deposit minus 14 per cent fee and 2 per cent stamp duty—total 2 per cent. No

interest whatsoever has been allowed for the use of such funds for 18 months.

Surely, to compel liquidators to lodge funds on such terms is fiscal oppression of the sort normally practised only behind the Iron Curtain—even the bankrupt African states allow a nominal 2.5 per cent on their compensation money.

If compulsion is appropriate, the payment of an adequate return on the lines of the 5 per cent, tax free paid on Post Office deposits is surely a minimum obligation.

A. W. Furse,
Nerquis, Mold, Chwyd.

Gas flared to waste

From Mr. N. Wilson

Sir,—Does British National Oil Corporation know precisely how much North Sea well-heads are flaring off their gas to waste and how much gas and money is so wasted daily?

Mr. Barry Ross, public affairs manager of Shell (UK), said in a Worthing lecture on September 17, that gas which would otherwise be flared cannot be reinjected into oil reservoirs to maintain pressure. But could it not be liquefied at or near well-heads and then shipped by tankers to Curvey Island or ultimately to Mossmorran on the Firth of Forth? Well-head liquefaction of gas should not be harder to engineer than many other astonishing feats the oil companies have accomplished.

N. W. Wilson,
23, Horsey Road,
Worthing, West Sussex.

Paying for pensions

From Mr. R. Nottage

Sir,—I was interested to see Mr. Shucksmith's introduction (September 24) of "the micro-economic agent" into our discussion on the financing of pensions.

His question about the insensitivity or otherwise of the National Coal Board and British Rail, is not relevant, however, to the question of how the taxpayer should pay for the pensions of their many former employees which they (NCB and BR) cannot afford and successive governments have agreed to meet. Those pensions, we may be sure, are mortal, and over the next 20 years will substantially decline in numbers.

If the taxpayer meets the cost of the pensions to which he has been committed as it arises, he will benefit from the most even annual rate of call upon his pocket. Moreover, if the present negative rate of return on pension fund investment persists, he will discharge his responsibility more cheaply than by straining himself over the next few years to provide enormous sums of money for long-term management—good, bad or indifferent—by the trustees of the NCB and BR pension funds.

I would also remind Mr. Shucksmith that "A collective arrangement, in which all major economic agents participated in the form of a nation-wide pay-as-you-go pension scheme providing comprehensive benefits" is by no means "a theoretical alternative to individual advance funding," as he suggests. Probably 75 per cent or more of the pension income currently being received by the nation's 9.5m men and women

of retirement age is financed in that way—as the annual reports of the DHSS and Supplementary Benefits Commission bear witness.

Raymond Nottage,
Reforma Club,
Fell Mill, SW1

Lump sums may be necessary

From Mr. T. Laybourn

Sir,—I was interested in reading the letter from Mr. Shucksmith (September 24) but when he states "For what it is worth, my own view is that a gross investor such as a pension fund is more likely to earn a positive real rate of return on average in the long-term than not." It is like asking the old question: "How long is a piece of string?"

What does Mr. Shucksmith mean by "long-term"? I feel very strongly that those pension funds that have shown a substantial negative return in the past five-seven years—and I believe there is every likelihood of the return being negative for the next five-seven years—will run into serious financial trouble if they continue in the face of all present-day circumstances to have the fund valued on a positive basis. We have been living, and continue to live, in times without precedent, and I believe it far more practical to deal with the situation as it has existed for the past five years and forecast to last for another five.

Shareholders of companies whose funds will be valued on a positive basis despite the fact the contrary has been the actual position, are likely before long to get a shock as to the lump sum that may be necessary to pay into the fund. I think a case quite recently has been reported where the company in one year alone had to back up the pension fund by approximately £5m. It is a letter to my mind, particularly from the employees' point of view, but also from the shareholders' point of view that their pension fund is continually valued on a discount basis.

T. A. E. Laybourn,
The Bowring Building,
Tower Place, EC3

Vision and the new technology

From Dr. S. Watkins

Sir,—Several recent letters have criticised the Association of Scientific Technical and Managerial Staffs for adopting a "negative" attitude to new technology.

In June Junior hospital doctor members of ASTMS took a resolution to the Hospital Junior Staffs Conference seeking to reverse that conference's policy of reducing medical school throughput and instead recognising that new technology would create a manpower surplus necessitating "a change in the structure of employment with greater leisure and increased employment in the labour-intensive public services."

Speakers in favour of the resolution spoke of a vision of a society in which new technology had been used to the full, in which it was possible to produce everything that we now produce with a fraction of the work force, and in which the benefits of that state of affairs had been taken partly by increasing production (and hence the standard of living), partly by recognising that there is more to life than

work and partly by creating new jobs in expanded and improved public services.

But the ASTMS resolution was bitterly opposed by members of the British Medical Association who accused us of advocating pie-in-the-sky and described our vision as an hallucination. The resolution was defeated. It is rather harsh to be criticised in one forum for unrealistic enthusiasm and in another forum of Luddism.

New technology could create the vision which we described at the EJS conference. But it could equally lead to a society divided between a prosperous employed class and a large unemployed class. The benefits could be thrown away by a failure to see the options available or by the conflict which would be created if industry sought to use new technology simply to throw large numbers of people on to the scrap heap.

ASTMS and indeed the trade union movement as a whole has a clear strategy for achieving maximum benefit from the new technology. It is management and Government which refuse to recognise either the opportunities or the dangers.

(Dr.) Stephen J. Watkins,
(Council member, Medical Practitioners' Union section, ASTMS),
2, Keats Close, Langton Brou, Epsom, Surrey, Surrey.

Inquiry needed into HMSO

From Mr. P. Spiegl

Sir,—Further to Mr. F. H. Smith's letter (September 22) concerning the HMSO Daily List, have subscribers tried ordering the Government publications offered? The ensuing delay in delivery is frequently many months—so long in fact that some publications are out of date.

Are readers also aware that most Government establishments in the UK are tied to HMSO for distribution of their reports with the inevitable result that these important works are frequently unobtainable or at best, obtainable only after such lengthy delay as to render their usefulness doubtful?

This unsatisfactory state of affairs also applies to many foreign institutions, since HMSO holds the agency. A searching inquiry into Her Majesty's Stationery Office is long overdue.

Peter F. Spiegl,
6, St. George's Street,
Stamford, Lincolnshire.

Helpless at the IR's hands

From Shena Mason

Sir,—How good to see Mr. Kirwan (September 22) having a go at the Inland Revenue's (and successive Chancellors' persistent Victorian view of working wives. He is quite right about the irritation this causes independently minded women, some of whom earn considerably more than their husbands.

A wife's wish to be treated as a person in her own right does not necessarily reflect on the quality of her marriage; it is a basic right to which all are entitled, but which women have only recently been educated to expect.

From my own experience, several years of protracted negotiations with the Inland Revenue have never once produced any communication addressed to me personally. Everything, includ-

The third airport

From Mr. T. Whittle

Sir,—I concur with your correspondent, A. L. Beard (September 22), in questioning the need for a third London Airport. Before embarking on massive expenditure the existing resources should be surveyed to see how they might be improved to cope with the increase in traffic.

The constant speeding up of land transportation (e.g., advanced passenger trains) suggests that into the next century internal air transport will decline and points to a need for international airports to be sited near large conurbations.

Prestrick International Airport is an excellent example. This airport is probably the most fog-free in Europe, with good transport, take-offs over the sea, and no environment problems. Yet it is in serious danger of closing because of lack of traffic. Many journeys starting in Scotland have to go via London.

For an experimental period (preferably five and not less than two years) why not try more connection landings at, say, East Midlands or Manchester and Prestrick, for those flights which take the great circle route over the Atlantic? Flights to Africa and the Far East might start in the North and end at London, thus spreading the pressure on airport services. Perhaps the airports could reduce their landing fees for this experimental testing period.

Thomas E. Whittle,
19, Kildon Drive,
Maybole, Ayrshire.

Destroying wealth

From Mr. R. Musgrave

Sir,—I see (September 11) Dow Corning is to get an £18.35m grant for a plant that creates 126 jobs in South Wales. With a subsidy this size it would seem, given certain not unreasonable assumptions, that these 126 people may have the distinction of actually destroying wealth, not creating it.

The first assumption is that the operation just breaks even, that is just pays for the capital and interest required. The second concerns the time over which the capital representing the grant is written off: if this is ten years say, then there is £14,500 of grant to be written off per employee per year. In this plant it is quite probable that each employee will subtract value and the amount subtracted per annum, if the plant just breaks even, will be roughly £14,500 minus the national average wage.

R. S. Musgrave,
24 Garden Avenue,
Framwellgate Moor, Durham.

Today's Events

EEC Agriculture Ministers conference concludes, Dublin Castle.

Celebration of 250 years of Parliamentary government in Bahamas.

Air Chief Marshal Sir Michael Beetham, Chief of the Air Staff, speaks at Battle of Britain Ball, Grosvenor House, London.

Mr. Gordon Borrie, director general, Office of Fair Trading, speaks at conference on European and U.S. competition law, Goldsmiths Hall, London.

Save the Children Race Day, Ascot.

Overseas: President Lopez Portillo of Mexico meets President Jimmy Carter, Washington.

INTERIM DIVIDENDS: Charles Hunt, Percy Lane Group, Lyle Shipping Company, F. Miller (Textiles), Modern Engineers of Bristol, Wharfedale Engineering, George Whils and Sons (Holdings).

INTERIM FIGURES: North British Canadian Investment Company (third quarter figures).

COMPANY MEETINGS: Carrington Investments, 78,

Harborne Road, Birmingham, 12, Charnos, Corporation Road, Kingston, 3, Diamond Stylus, Imperial Hotel, Llandudno, Gwynedd, 12.30, J. and J. Dyson, Cutlers Hall, Sheffield, 12, Longton Transport, North Stafford Road, Station Road, Stoke-on-Trent, 3, PMA, 25, Milk Street, EC2, 12, Textured Jersey, Winchester House, 100, Old Broad Street, EC2, 12, Trafford Carpets, Mosley Road, Trafford Park, Manchester, 12.45, Vita-Tex, 73, Suckingham Avenue, Slough, 3, Joseph Webb, Station Road, Dudley, 12, Wiggins Construction, Harri Road, Thundersley, Benet, Essex, 12.

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UK COMPANY NEWS

Jump in financing costs pushes Dunlop down £6m

THOUGH Dunlop Holdings held operating profit at £32m for the first half of 1979, an £8m jump in finance costs and higher tax charges left almost nothing attributable to shareholders. However, the net interim dividend is maintained at 2.65p.

Hit by an estimated £3m loss of profit over the transport drivers strike and the long winter, the tyre producer made a bad start in the year. Despite a doubled profit in the second quarter over the first three months, the half time surplus fell from £22m to £16m.

Of this, tax took £14m (£13m), including £12m (£11m) overseas, with the high charge reflecting the greater proportion of overseas earnings and certain unrelieved losses.

Prospects outside Europe remain satisfactory but in the UK the company faces the problems of rising inflation, high interest rates, strong sterling and the very damaging effect of the engineering strike. Cost improvement and cash conservation measures remain high priorities, the directors say.

For 1978 profit was down at £40m, compared with a peak of £47m seen two years earlier. The total payment last time was 5.7p.

The group's European tyre business, while in total meeting losses and having particularly difficult problems in the UK, did manage during the six months. Nationalisation costs of £10m involving mainly the closure of the Spoke tyre factory have been charged to the £18m provision made in 1975.

External half year sales were up 17.5% to £76.9m with the overseas element 8.5% better at £35.9m but UK exports were down 5.5% to £17.5m. The share of associates, including £2m, compared with £4m, from Profit, was 23m ahead at £7m but this growth was more than offset by financing charges, inflated by higher interest rates and enlarged borrowings, from £15m to £23m.

On a current cost basis along the lines of ED 24 the company could have shown a £3m pre-tax loss, against a £5m profit.

Profits of Dunlop's UK-based industrial, engineering and consumer divisions were lower but sports remained steady. Subsidiaries outside Europe were 8 per cent up. With exchange rates on a comparable basis the underlying advance here was about 20 per cent.

See Lex

HIGHLIGHTS

Lex considers the results from Dunlop which continues to struggle against serious problems in the UK tyre market and ever rising finance charges. Interim profits are again lower although the dividend is maintained despite attributable earnings of nil. Some very poor figures were revealed by Wimpey yesterday. Profits are down 42 per cent with the bad weather and haulage strike taking the blame. Results from two of the big insurance broking groups, C. I. Rowing and Alexander Howden, reflect the continuing squeeze on the sector caused by higher interest rates and stronger sterling, but at least Howden is forecasting some improvement for the full year. At Vickers trading is sluggish and compensation on shipbuilding assets has been referred to arbitration. Finally Lex comments briefly on the surprise twist in the Dalgety-Spillers saga. Other major companies reporting yesterday included Ready Mixed Concrete with reasonably good results, while British Printing Corporation virtually falls back to nil profit. Comments are also made on APV, Hambro Life, Wadham Stringer and Wm. Morrison.

Aberdeen Construct. below £1m

THE BAD winter hit Aberdeen Construction Group in the first half of 1979, and the taxable surplus fell from £1.31m to £345,564 on turnover of £26.09m, against £26.33m.

The directors say the work load is healthy and a substantial volume of work continues to be available for tendering. With some improvement in the weather, margins could be reasonable.

After tax of £400,000 (£580,000), earnings per 25p share are shown to have fallen from 5.75p to 4.04p. The net interim dividend is 2.1p (5p)—last year a total of 5.14p was paid from profits of £3.38m (£3.95m).

The directors do not consider the expense of a property revaluation is justified, although they are satisfied it would show a material increase on balance sheet values.

General & Commercial

After administration and interest costs almost £10,000 higher pre-tax revenue of General and Commercial Investment Trust was ahead from £327,179 to £381,441 for the half year to August 31, 1979.

Tax took £127,180 (£119,648) leaving earnings per 25p share up from 3.69p to 4.56p. With half-time gross assets valued at

£12.02m, against a year-end total of £11.53m, net asset value at mid-year stood at 195p (189.9p). The net interim dividend is stepped up to 3.3p (2.6p) partly to reduce disparity and absorbed £176,418 (£138,990). Last time a 6.87p total was paid.

Gross revenue, including a £10.114 special dividend this time from Unilever, was up from £396,093 to £460,264. Administration and interest costs amounted to £78,803 (£88,914).

Galliford Brindley at £2.9m

ADVERSE CONDITIONS, particularly severe weather, prevented Galliford Brindley from achieving the growth expected for 1978-79. Even so taxable profit for the year to June 30, was ahead from £2.51m to a record £2.87m with £1.64m, against £1.49m, coming in the second half.

At the trading level there was an advance of £854,484 before depreciation of £1.3m (£0.9m). The current order books for the group, which has interests in building and development, civil engineering, heating and ventilating, engineering and plant hire, are generally adequate. To date there has been a reasonable start to the current year, says Mr. Peter Galliford, the chairman.

A net final dividend of 3p takes the total to 4.125p (3.417p). After tax of £1.03m (£0.81m) the net balance emerged lower at £1.84m against £1.91m.

Vickers rises to £6.4m at halfway

TAXABLE profits of Vickers, the engineering group, rose from £5.16m to £6.39m in the first half of 1979 on turnover down from £191.4m to £184.5m. But the directors warn that if the engineering strikes are not ended quickly they will have serious repercussions for profits and employment this year, and into 1980.

The Board adds that all main activities, with the exception of Ronco Vickers and the Australian Engineering Group, made higher profits than in the corresponding period last year. But the strength of sterling and keen competition eroded margins on UK exports.

The pre-tax surplus was struck after investment income down from £313,000 to £66,000 and interest charges up from £5.21m to £6.24m.

Tax for the half year takes £2.2m (£2.1m) and after minorities of £76,000, against £441,000, the surplus is up from £2.61m to £4.12m.

The net interim dividend per £1 share is being maintained at 3.55p. Stated earnings per share are up from 5.5p to 9p. Last year the group paid a total of 9.814p from taxable profits of £11.7m.

	Half year 1979	Half year 1978
Sales	184,500	191,400
Trading profit	12,538	10,100
Investment income	66,000	313,000
Interest payable	6,240	5,210
Share of associates	0	0
Profit before tax	2,298	2,298
Tax	4,120	3,000
Profit after tax	1,978	1,298
To minorities	0	0
Leaving	1,978	1,298
Profit, dividends	3,510	2,423
Attrib. before extraordinary items		
To associates		

The directors add that the group had relied for a speedy settlement of the compensation issue, and the opportunity to replenish the funds. But, in the case of shipbuilding their stockholders' representative has reached deadlock in his negotiations with the Government and accordingly the Board has accepted his recommendation to refer the matter to arbitration. Negotiations are continuing over the 50 per cent share of British Aircraft Corporation (Holdings) but the directors are not yet able to report any satisfactory progress.

See Lex

Gen. Investors & Trustees

Revenue of General Investors and Trustees improved from £724,000 to £936,000 in the half year ended July 31, 1979, before tax of £395,000 against £301,000. Total revenue was £1,211m, com-

pared with £1,066m. The directors do not expect that the second half will produce as good a result from property trading while dealing profits include some exceptional sales which will not be repeated in the rest of the year.

Earnings per share are stated as 3.5p, against 2.7p. Net asset value per share amounts to 151.8p compared with 155.7p. The interim dividend is stepped up from 1.7p to 2p partly to reduce disparity and a special interim of 0.4p is also declared being accumulated dividends payable from BP, Shell and Unilever. Last year's final payment was 2.8p.

Associated Book down 15%

FIRST half pre-tax profits of Associated Book Publishers were 15 per cent lower at £1.02m and contrary to earlier hopes, annual pre-tax earnings are not now expected to exceed the £3.37m of 1978.

Earnings per share are stated as 6.2p, against 12.9p, but the directors have declared an increased interim dividend of 2.5p (1.9p)—the previous final was 3.25p.

Dividends Announced Page 22

Turnover rose from £13m to £13.7m. Sales in real terms were 16 per cent ahead, although the sterling value of sales in overseas subsidiaries was marginally lower in spite of a 30 per cent increase in Canada and a 10 per cent rise in Australia. UK sales were up 14 per cent.

After tax of £557,000 (£559,000) and minorities, £131,000 (£71,000), first half attributable profits were £336,000 against £488,000.

UK profits at £562,000 were £267,000 lower than 1978, caused by timing differences in the law publishing programme and trading difficulties in the important Nigerian market. Canadian pre-tax profits were 180 per cent ahead of last year and in Australia and New Zealand profits were up 40 per cent after relocation costs of the New Zealand company.

In the U.S., where losses were expected to be higher than last year, trading results were affected by the economic recession which markedly affected the retail trade.

Wimpey profits almost halved to £8.4m midway

AFTER five months of its worst contracting weather and the delay of the national transport strike, pre-tax profit of Wimpey Construction UK, formerly George Wimpey and Co., fell below expectation from £14.5m to £8.4m for the half-year ended June 30, 1979.

Total value of work carried out at home and overseas during the period at £428m was lower in real terms than the £406m in the 1978 half year "and in our efforts to keep faith with our clients we have had to work by uneconomical methods," says Mr. R. B. Smith, chairman.

The weather upset at home not only forced back the group's contracting programme but also deferred profits—only taken up at an advanced state of completion—which were further hit by additional inflation.

Work in the UK, however, is now going well with more housing estates being developed than last year and house sales holding up well. In the absence of unforeseen changes operating profit for the rest of the year should be close to that earned in the 1978 second half and should represent a higher proportion of the annual total, the chairman adds.

Interest charges will be higher, but subject to the availability of mortgages "we expect to produce satisfactory results for 1980 both at home and abroad," Mr. Smith states.

Operating profit in the half year slipped from £16.5m to £12m and net profit came out at £6.4m. The 1978 first-half tax charge is not relevant for comparison as the basis for accounting for deferred tax was substantially altered in last year's accounts.

The Wimpey group, building, civil, mechanical and electrical engineering contractors, set up a new holding company, George Wimpey Limited, at the end of last year.

Pre-tax profit for 1979 was a record £67.2m, on which a special dividend of 1.5p a 25p share was paid together with a special payment of 0.76042p.

A first interim dividend of 0.75p a share, payable on November 13 and totalling £1,920,000, is now declared.

See Lex

Throgmorton Growth Trust

FOR THE year ended July 31, 1979, revenue before tax of the Throgmorton Secured Growth Trust was down slightly from £343,954 to £333,301 but after lower tax of £103,739 against £131,204, the amount available for ordinary holders was higher



Mr. Clifford Chetwood, managing director of Wilkinson Warburton, in second half.

at £239,572 compared with £212,750.

Earnings per share are stated as 2.3p (2.13p) and the final dividend is 1.8375p raising the total from 2p to 2.25p.

Net asset value per capital loan stock unit amounts to 177.48p against 173.7p.

THE FIRST-HALF profits decline forecast at Wilkinson Warburton turns out to be from £418,546 to £365,660. In his last annual statement the chairman warned of the effects of the bad weather and strikes which were delaying deliveries from manufacturers.

Sales for the first half of 1979 were ahead from £8.4m to £9.6m and trading profit was up from £547,076 to £581,250. But interest

Half year 1979

Sales	9,641,267	8,390,357
Trading profit	581,250	547,076
Interest payable	131,577	85,536
Depreciation	84,013	88,704
Profit before tax	365,660	472,836
Tax	210,950	271,000
Profit after tax	154,710	198,940
Profit, dividends	3,742	2,742
Carry forward	144,978	40,608
After £2.06 (1978 £1.52)—year to December 31, 1978 (25.38) waived, charges were almost doubled at £131,577, against £88,826.		

The directors say that sales and forward bookings for the remainder of the season show a very satisfactory increase. However, they point out that trading

will be affected by the VAT increase and by how the tax rebates, due in October, are spent.

They add that it is therefore impossible to forecast the year's outcome with any accuracy. Last year taxable profits totalled £1.03m on £19.4m turnover.

The net interim dividend per 25p share is being lifted from 1.76p to 1.94p. Stated earnings are down from 7.91p to 6.23p. Last year the payment totalled 5.71p.

Appleyard down 22% mid-year

WITH INTEREST and display charges up from £461,000 to £684,000, taxable profits of the Appleyard Group of Companies fell by 22.2 per cent from £1.27m to £988,000 for the first half of 1979.

External sales, excluding car tax and VAT, improved to £70.4m (£68.8m). The group is engaged in the distribution and retailing of cars, commercial vehicles, agricultural equipment and fuel oil.

Mr. Ian Appleyard, the chairman, says very good results were achieved from the Rolls-Royce, Ford, commercial vehicle, fuel oil and contracts hire activities. However, these were more than offset by high interest charges and reduced margins on BL cars. In addition, further substantial trading losses were incurred in Glasgow where the reorganisation of the business continues.

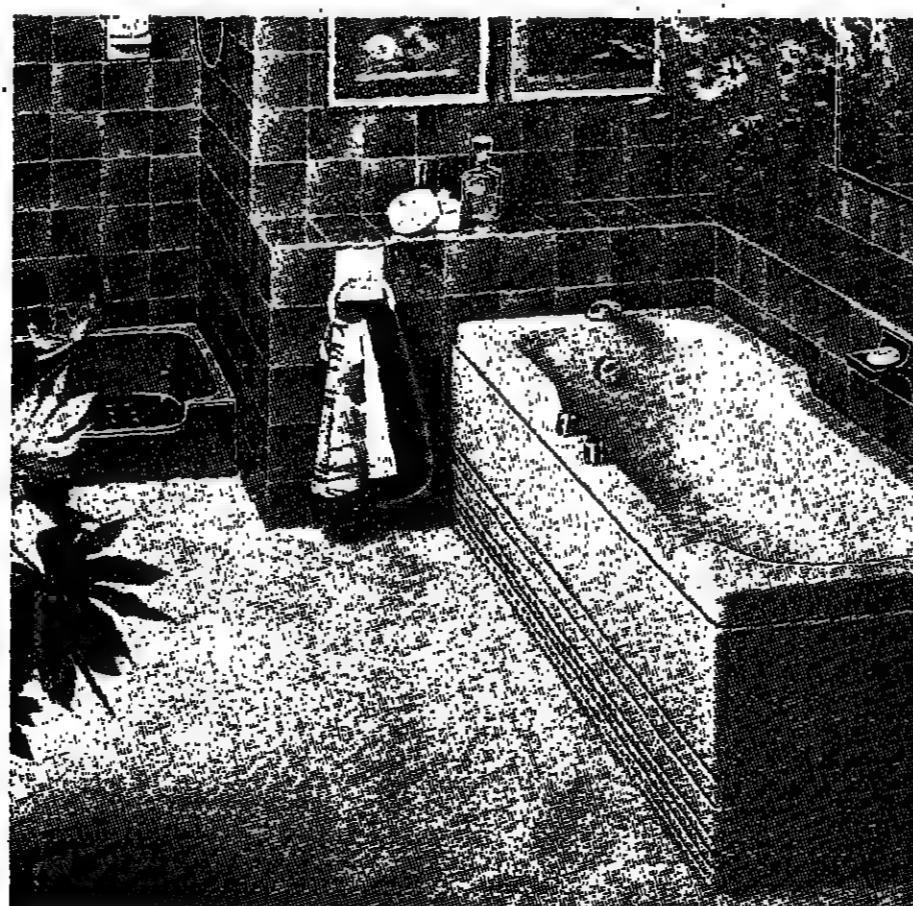
He says the outlook for the second half is not encouraging, with continuing high interest rates, extremely competitive trading conditions, and the possibility of a further period of industrial unrest.

Having had the opportunity to consider fully the new plans for the future of BL announced recently, the group feels that these will enable BL to overcome its immediate difficulties and it welcomes the bringing forward of the new models which the plan makes possible.

After tax of £240,000 (£388,000), half-yearly earnings per 25p share decreased by 2.3p to 9.23p. The interim dividend is held at 2.25p net absorbing £180,000 (same) and the board expects to maintain the final—last year, payments totalled 6.50p on record £1.95m pre-tax profits.

Comparatives have been restated as a result of changes in accounting policies.

To you it's a bathroom. For us it's a watershed.



Most people think Marley's activities in plastics are restricted to the manufacture of products for the building industry.

Certainly, the company have made a considerable name for themselves through the introduction of revolutionary and patented upvc plumbing and drainage systems, also claddings, fencing and a host of other products.

However, with the unlimited potential of plastics to replace traditional materials, and

being 10 years ahead in polymer technology, Marley have naturally moved into consumer markets too.

This year Marley launched the exciting new Mix + Match bathroom—a unique range of baths, shower trays and accessories designed by Hardy Amies and available in eight fashion-conscious colours.

By combining luxurious elegance with the imaginative freedom to mix and match from a

pallette of colours, Marley have banished boredom from the bathroom.

The Mix + Match bathroom theme is just one successful result of the continual policy of product development and diversification we are pursuing at Marley.

In plastics, as in all our other spheres of involvement, we strive continuously to improve the performance, quality and end price of our products. Revolutionary new manufacturing

processes developed by our engineering staff are increasing still further the significant contribution extruded plastics make to company earnings.

No wonder we say at Marley that baths are one of the best places for having bright ideas.

MARLEY
Sevenoaks, Kent.

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هكزا سن الد صر

COMPANY NEWS & VIEWS



MARKET WEEK

THE CAUTION expressed in this column last week has proved well founded. Equities ran out of steam in the middle of this week as all eyes turned to the gilts pitch to gauge the element of oversubscription for Thursday's tap stocks.

With a yield offered on the long tap of about 14 per cent and three-month interbank rates down to just under 13 per cent, the stage could not believe their luck: particularly in view of the partly paid basis on which the stock was offered.

Nevertheless the stage should remember how the jobbers held the last partly-paid offering at the issue price for a

Ward's holding. Erith & Co rose 10 points to 114p.

Electronics tend to participate fully in any market recovery, and strong institutional buying was seen at the start of the week in a number of stocks.

Electrocomponents moved up 21p to 373p, Farnell rose 27p to 445p, Ferranti improved 21p to 388p, and Racal were also a good market — firming 12 points to 380p.

Acoustic and electrical engineer Burgess Products rose 7 points to 60p in a thin market on Wednesday — the interim figures are due in April.

A sector circular on the food

All is I

By GERALD

IS THERE a for De Vere H remain within of the 248p to on Monday following a w from chairman anticipating company he c

A subsequent board at that there misunderstanding followed rumours all over Panel is take any action

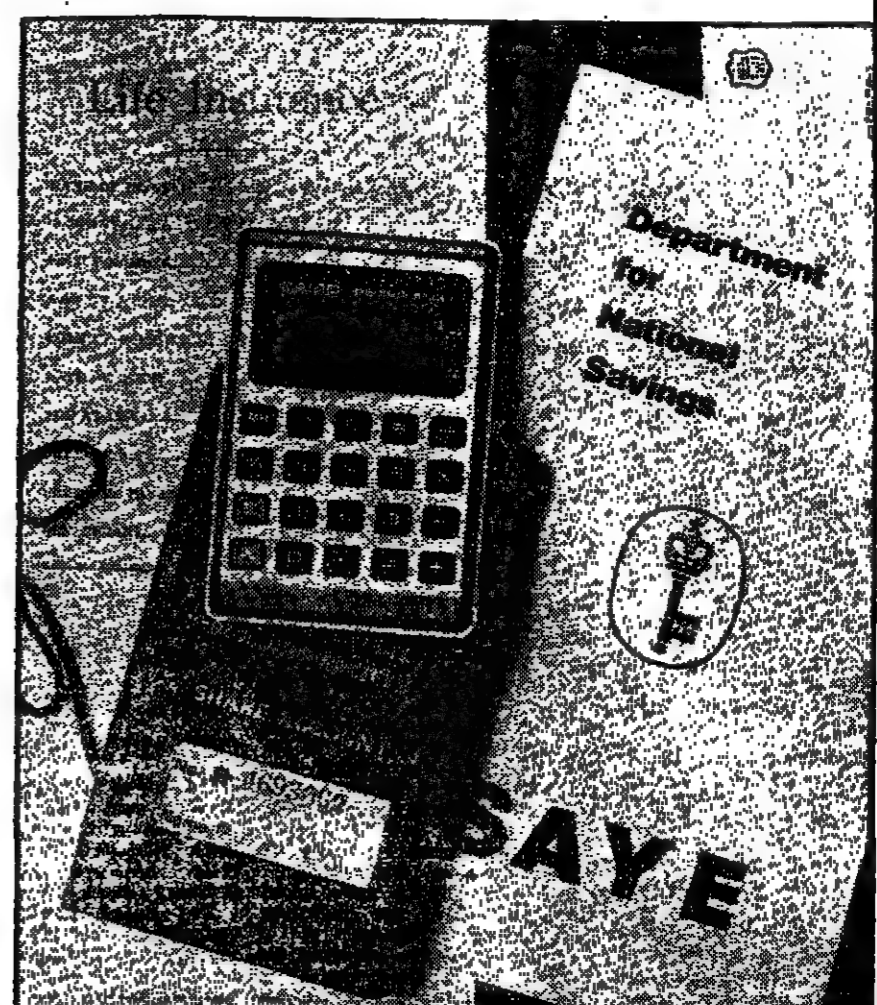
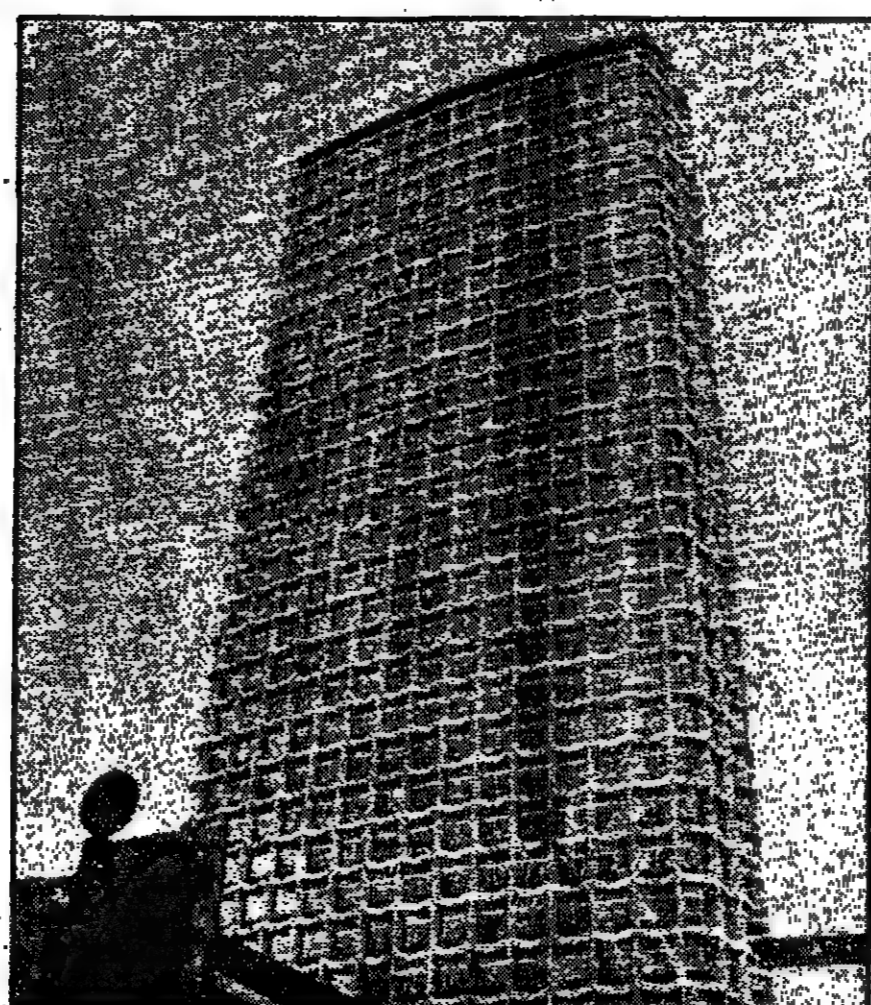
But, were premature statement weekend, I almost certain



Company News

Investment

Shares to watch



Banking and Money Markets

Property

Personal Finance

IT'S ALL IN TODAY'S FINANCIAL WEEKLY

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UK COMPANY NEWS

Rise in sterling hits Bowring at halfway

WITH insurance broking profit hit by the strong pound and Bowmaker's credit finance business suffering from the effect of high interest rates, the taxable surplus of C. T. Bowring fell from £19.78m to £17.9m in the first half of 1979.

Mr. Peter Bowring, chairman, says the adverse factors in the first half have continued and are bound to affect full-year results. For the whole of 1978, profits reached £38.61m.

The chairman says that, in the period under review, Singer and Friedlander again showed an improved contribution, as did the underwriting interests. Trading and shipping activities continued to operate in difficult conditions, but he expects an improvement on last year's results.

Turnover for the half-year rose from £645.02m to £658.03m. Tax took £9.31m, against £10.29m. The net interim dividend is stepped up from 1.013575p to 1.47p—last year's total was 3.381035p.

The results incorporate a change of accounting basis at Bowmaker which now takes credit for leasing income in relation to funds invested. This means an increase in profits for period of £154,000 (£716,000), and £350,000 for the 1978 year.

	Six months	
	1979	1978
	£000	£000
Turnover	658,028	645,020
Profit before tax ...	17,902	19,784
Tax	9,309	10,288
Net profit	8,593	9,496
Minority	394	277
Prof. dividend	5	5
Available	8,304	9,214

See Lex

F. Sumner falls 20% at midway

TAXABLE profits of Francis Sumner (Holdings) fell by 20 per cent in the first half of 1979. On turnover ahead from £7.5m to £8.6m, the pre-tax surplus declined from £404,893 to £322,327.

The directors say the main reason for the profits fall was an acute downturn in trade at one of the manufacturing companies,

and a consequent provision against a large build-up of stocks.

Further trading losses at Delta Mill, whose impending closure was announced last May, have also to be written off in the first six months. No provision has yet been made for its closure losses because they cannot be fully assessed until production ends later this year.

However, other companies are making reasonable progress. Although the order book has shortened considerably since April in some areas of the textile division, the board still hopes for a satisfactory outcome for the year. Taxable profits in 1978 totalled £693,466.

The interim dividend per 10p share is being lifted from 0.5p to 0.55p. Last year's total was £791,86p. Stated earnings per share are down from 1p to 0.86p.

Tax for the period takes £90,000 (£136,000) and minorities £1,108, against £1,149, leaving the surplus down from £268,744 to £231,119.

The dividend absorbs £147,371, excluding ACT, compared with £133,978.

Six months fall at Bentalls

ALTHOUGH SALES, excluding VAT, were 8.5 per cent higher at £19.6m, pre-tax profits of Bentalls department store operator, fell by £99,000 to £584,000 for the half year ended August 4, 1979.

The difficult trading conditions of the first half have so far continued into the second six months and the increase in sales compared with last year is at present still below target, the directors state.

The larger part of group turnover, however, is achieved in the second half and there is a seasonal increase in trade which usually starts in October. With additional consumer spending likely from substantial tax refunds plus the increased trade from various store improvements, the directors are hopeful of a satisfactory full year result.

For the year ended February 3, 1979, pre-tax profits were a record £2.93m on £41.7m sales.

The half-year's result included exceptional credits of £20,000 (£24,000 debits), which comprised a profit on the sale of property and a refund of general rates, offset by a loss on the Chatham store during reorganisation and computer development expenses. It is anticipated that this store will trade profitably during the second six months.

Comparative profit before tax was reduced by £38,000 in respect of depreciation for freehold buildings, charged for the first time in the 1978-79 accounts.

Earnings per 10p share are shown as 2.37p (2.61p) before tax of £433,000 (£476,000) and as 1.33p (1.46p) after the same.

The interim dividend is kept at 0.3p net, again absorbing £125,000—last year's final was 1.01794p.

The enlarged and modernised Chatham store was opened early this month and trading since has been very encouraging, the directors say. At Kingston, phased renovation and re-equipment is continuing and the refurbished lower ground floor will be fully operational early next month.

In August, the group acquired Jordan and Cook, a furniture and furnishing business in Worthing.

RMC ahead to £15.2m in first six months

IMPROVED trading conditions in the second quarter of 1979, particularly in West Germany, resulted in Ready Mixed Concrete increasing pre-tax profits from £14.82m to £15.21m in the six months to June 30, 1979.

The profit rise was despite severe weather throughout Europe in the first quarter and the increase in the value of sterling, the directors say.

Recovery in the UK began later than the rest of Europe but indications are that this recovery has continued into the second six months.

Earnings per 25p share are stated as 11.2p against 11.9p. The interim dividend is raised from 2.75p to 3.35p—last year's total was 8.7p when pre-tax profits were £35.5m.

Operating profit for the first half was £17.1m (£15.9m) after depreciation of £11.5m against £10.5m. Profits on disposals on property were £187,000 (£201,000).

Comparative figures have been restated to reflect changes in accounting for depreciation and deferred tax.

	Six months	
	1979	1978
	£000	£000
Turnover	319,880	293,778
Profit	17,281	16,342
Interest	2,076	1,627
Profit before tax	15,205	14,815
Tax	4,968	4,721
Net profit	10,237	10,084
Minorities	1,544	1,333
Extraord. credits	979	—
Available	9,672	8,761

comment

Ready Mixed Concrete can thank the beginning of a worthwhile performance in France for the small overall interim improvement. Relaxation of French price controls and a correction of management difficulties boosted the contribution from this source from almost nothing in the first half of 1978 to something approaching £1m. Elsewhere, RMC made practically nothing in the first quarter as

63% rise for Stag Furniture

A 63 per cent increase in taxable profits is reported by Stag Furniture Holdings for the first half of 1979. The surplus jumped from £1.04m to £1.69m, on turnover, 60 per cent ahead at £15.5m, against £9.6m, and the interim dividend is being raised from 2.3p net to 3.5p.

The results include a full half year's contribution from Meredew Furniture which was acquired on November 1, 1978.

The directors say that demand for furniture, while not buoyant, remains satisfactory, and the group is achieving its output targets. Taxable profits last year totalled £2.29m, from which the group paid dividends of 6.5p.

Tax for the half-year takes £379,000 (£539,000), leaving net profit up from £497,000 to £811,000. Stated earnings per 25p share are well up from 12.02p to 18.66p.

Macallan Glenlivet up £100,000

Struck after higher interest charges of £270,000, against £134,000, pre-tax profits of Macallan-Glenlivet ended the July 31, 1979, year up by £100,000 at £502,000. Turnover of the malt whisky distiller rose from £2.5m to £3.32m.

Current demand for the company's products is encouraging and despite high malt, labour and energy costs, which will put severe pressure on margins in the next two months, the Board expects some further profit improvement in the first half of the current year.

Although results have been affected by high interest rates, the directors say they remain convinced that a continued investment in stocks, with attendant borrowing levels, is desirable and will ultimately be highly profitable for the company.

Stated earnings per 25p share were 3.15p higher at 25.35p, while a final dividend of 3.574p raises the net total from 3.1368p to 5.9045p. The directors add that the 10 per cent increase at gross level is indicative of their intention to retain a greater proportion of earnings for expansion programmes of fixed assets and whisky stocks.

A. Howden down in first half

PRE-TAX PROFITS of Alexander Howden Group, insurance broker and underwriting agent, were down from £11.5m to £11.09m for the first six months of 1979, but Mr. K. V. Grob, the chairman, says he would be disappointed if the current year's result was less than the previous year's £17.73m.

Half-yearly interest charge was up from £0.78m to £1.03m. After tax totalling £4.91m against £5.05m, and minorities, attributable profits dropped from £2.37m to £2m.

Six months

1979	1978	
Trading profit	12.57	13.15
Depreciation	1.14	1.01
Interest charge	1.03	0.78
Share assoc. p/b	0.25	0.17
Profit before tax	11.09	11.50
UK tax	4.03	3.83
Overseas tax	0.78	1.16
Minority interests	0.17	0.10
Net profit	6.00	6.75

Earnings per 10p share are shown lower at 6.83p (8.26p), while to reduce disparity the net interim dividend is raised from 2.5p to 3.5p—last year's final was 4.5p.

Mr. Grob reports that although UK results continue to be affected by excessive capacity in the insurance markets and by the strength of sterling, the home-based companies improved profits from £7.53m to £7.82m.

The group's U.S. excess and surplus lines operations appear to have passed the low-point of their cycle and minor losses after financing costs have been made good in July and August, he adds. The U.S. insurance companies continue to make good progress and trading profits for the half year exceeded £300,000.

Bermudian operations produced similar figures to last year.

See Lex

Owen Owen incurs loss of £210,000

Owen Owen, the departmental stores group, suffered a turnaround from a profit of £95,000 to a loss of £210,000 in the 26 weeks to July 28, 1979. Sales were ahead from £44.18m to £45.93m, including VAT of £2.36m, against £1.78m.

At the annual meeting in June, Mr. J. A. H. Norman, chairman, had warned that first-half results might not reach those of last year, but he was confident the group would produce a satisfactory full-year performance.

He now says that sales in the UK and Canada have started slowly in the second half and no material improvement is expected before the critical pre-Christmas period which, in the UK, will coincide with tax refunds. In the last full year, there were taxable profits of £22,900 on sales of £102.48m.

UK retail profits were lower than last time, the chairman says, chiefly because of a disappointing sales performance in the weeks after the June Budget. Sales, including the net increase from acquisitions less disposals, were 14.4 per cent higher. Plumb Contracts contributed a satisfactory profit increase.

An increased Canadian loss was accounted for by the inclusion of the results of the latest store opened in August, 1978. The six established stores reduced their loss. The chairman says Canadian sales and loss contributions have been reduced on conversion to sterling because of the lower exchange rate.

The net interim dividend is raised from 0.65p to 1p. The chairman explains that the payment reflects the intention to increase the proportion which the interim bears to the total. The final will depend on the level of full-year profitability. Last year's final was 2.5008p.

After a tax credit of £50,000 (£94,000 charge), there was a net loss of £180,000, against a £1,000 profit.

Last year's half-time figures have been adjusted in line with the January 1979 accounting policy change on Canadian un-matured profit reserves.

Tate and Lyle Canada sugar plant closes

Redpath Industries, controlled by the Tate and Lyle group, is discontinuing sugar refining at its old established Montreal plant by the year end. It will mean a loss of 300 jobs.

The company says the Montreal refinery is now operating at only 50 per cent of capacity and the reason for the closure is over-production in Canada and economic considerations. The closure will mean a one-time after tax charge of \$77m in the current year.

GEN. SCOTTISH CONVERSION

Holders of a further £4,621 of 5 per cent General Scottish Trust convertible loan stock 1985-2000 had converted their holdings into £5,089 ordinary shares at September 28.

The board has decided to exercise the company's right to require the remaining holders of £33,210 of stock to convert into 108,676 ordinary shares.

If none of these remaining stockholders exercise their right to be repaid at par, the number of ordinary shares in issue will be 9,855,000.

Tootal drops to £6.4m halfway

ADVERSELY AFFECTED by exchange rates, higher interest rates and a downturn in trading in July, taxable profits of Tootal, thread and textile manufacturer, dropped from £8.04m to £6.42m in the six months ended July 31, 1979. External sales were reduced by £3.52m to £190.45m.

The directors point out that the sale of Van Allan and its consequent exclusion from this year's results, coupled with other acquisitions and disposals, make comparison with 1978 difficult.

While prospects in major overseas operations appear reasonable for the remainder of the year, the final outcome for the group will be greatly influenced by exchange rates and the buoyancy of the UK retail market in the final quarter. It is unlikely to represent an improvement on 1978-79, they state.

Half-year interest charge increased by over £1m to £4.83m. Tax was £1m lower at £3.19m, and after minorities extraordinary items, and preferences dividends, profits attributable to ordinary holders fell from £4.4m to £3.42m.

Despite the present profit performance, the board is confident that the changes which have been made in the composition of the group, together with others under review, justify continued improvement in dividends.

The interim dividend is therefore increased from 1p to 1.1p net per 25p share, costing £1.95m—the previous year's final was 2.0415p on £21.1m profits.

Six months

1979	1978	
External sales	£190.45	£193.97
Trading profit	11.25	11.24
Interest	4.83	3.75
Profit before tax	6.42	7.49
Tax	1.54	1.68
Net profit	4.21	5.81
Minority	0.77	0.74
Extraordinary debit	—	1.00
Profit dividend	1.10	1.03
Attributable to Ord.	3.42	4.58

comment

Tootal's interim figures are disappointing, particularly as the first half of this year contains an extra 42m or so net from the reorganised Australian operation, and the losses made by Van Allan, now sold to UDS, have rather cheekily been left out. On the other hand, the group reckons that the strengthening of sterling cost £0.7m on the translation of overseas profits. Tootal is confident that the recovery it was looking for this year will come through over the next couple of years, and it seems intent on taking steps to change the group's shape—such as the Van Allan disposal—in order to increase the return on

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corre. of div. year	Total last year
Aberdeen Construct Int.	21	Nov. 30	2	8.15
Alva Investment Int.	4.03	Oct. 31	3.18	7.57
Appleyard Int.	2.25	Nov. 10	2.25	6.25
ATV Int.	2.5	Oct. 31	2.25	4.75
Associated Book Int.	2.8	Oct. 30	1.9	5.13
Bentalls Int.	0.3	Nov. 6	0.3	1.32
BPC Int.	1.1	Jan. 4	1.1	3.5
C. T. Bowring Int.	1.47	Nov. 19	1.01	3.36
Cope Sportswear Int.	0.2	Jan. 4	0.1	0.2
Dunlop Int.	2.65	Jan. 2	2.66	5.3
F. C. Finance Int.	1.1	—	1.1	2.2
Gen. & Commercial Int.	3.35	Oct. 29	2.2	4.13
Gen. Inv. & Trstee Int.	21	Oct. 31	1.7	4.5
Alexander Howden Int.	3.57	Nov. 19	2.5	7
Macallan-Glenlivet Int.	3.57	—	3.14	5.14
P. & W. Maclellan Int.	0.5	Nov. 18	0.5	1.43
Wm. Morrisroe Int.	0.7	Nov. 5	0.34	1
Owen Owen Int.	1.5	Dec. 31	0.69	3.19
Rand London Int.	8.7	Nov. 30	11	10
RMC Int.	3.35	Dec. 1	2.79	6.7
Solicitors' Law Int.	0.75	Nov. 15	1.47	1.47
Stag Furniture Int.	3.5	Nov. 30	2.3	6.5
F. Sumner Int.	0.55	Nov. 12	0.5	0.70
Thornemorton Growth Int.	1.94	Nov. 8	1.39	2.35
Tootal Int.	1.1	Jan. 4	3.95	8.04
Vickers Int.	3.85	Jan. 4	3.85	9.51
Wace Group Int.	1.2	Oct. 25	0.52	1.78
Wadham Stringer Int.	1.21	Nov. 29	1.1	2.46
Wilkinson Warburton Int.	1.94	Nov. 9	1.76	5.71
Wimpey Construct Int.	0.75	Nov. 12	—	—

Dividends shown pence per share net except where otherwise stated.
* Equivalent to last year's dividend.
† On capital increased by rights and/or acquisition issues.
‡ To reduce disparity.
§ Maintained total expected.
¶ Partially to reduce disparity.
|| Plus special interim of 0.4p.
** 0.8p final forecast.
†† South African cents throughout.

BANK RETURN

	Wednesday Sept. 26 1979	Increase (+) or Decrease (-) for week
BANKING DEPARTMENT		
Liabilities	14,553,000	—
Capital	24,236,568	—
Public Deposits	771,000	—
Special Deposits	547,812,480	—
Bankers Deposits	707,751,065	—
Reserves & Other Accounts	2,066,578,081	—
ASSETS	2,066,578,081	—
Government Securities	1,572,145,471	—
Advances & Other Accounts	154,350,700	—
Premises, Equipment & Other Secs.	305,061,695	—
Notes	25,994,792	—
Coin	228,543	—
	2,066,578,081	—

ISSUE DEPARTMENT

Liabilities	9,450,000,000	—
Notes issued	9,434,005,208	—
In Circulation	25,994,792	—
In Banking Department	11,015,100	—
ASSETS	9,450,000,000	—
Government Debt	8,348,961,085	—
Other Government Securities	1,090,028,615	—
	9,450,000,000	—

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Stag Furniture Holdings Ltd.

Points from Interim Report

	Half-Year (unaudited) to:	Year to:
	30.6.79	1.7.78
Turnover	£15,778	£20,730
Profit before tax	1,890	2,288
Earnings per Ordinary Share (net)	118.88p	112.02p
Dividend per Ordinary Share (net)	3.5p	2.3p

Based on a corporation tax charge of 82%.

- * Results include a full half year's contribution from Meredew Furniture. Profit before tax is 63% up compared with the first half of 1978, on turnover up 60%.
- * The increased profit and the strong financial position justify a higher interim dividend.
- * Current demand for furniture, whilst not buoyant, remains satisfactory.

Copies of the full Interim Report may be obtained from The Secretary, Stag Furniture Holdings Limited, Haydn Road, Nottingham NG5 1DU.

Appleyard

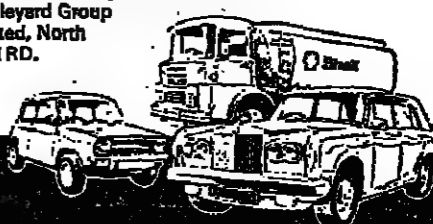
The Appleyard Group of Companies Limited

INTERIM STATEMENT Six months ended 30th June

	1979	1978
Group Profit before Interest, Display charges and Tax	£1,672,000	£1,731,000
Interest and Display charges	£684,000	£461,000
Net Profit before Tax	£988,000	£1,270,000
Interim Ordinary Dividend	2.25p	2.25p

"Results from the Rolls-Royce, Ford, commercial vehicle, fuel oil and contract hire activities were all very good. However, these were more than offset by high interest charges and reduced margins on BL cars. In the absence of unforeseen circumstances the Board expects to maintain the final dividend."

Copies of the full Statement may be obtained from the Secretary, The Appleyard Group of Companies Limited, North Street, Leeds LS7 1RD.



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Companies and Markets

UK COMPANY NEWS

Wadham Stringer hit by heavy interest charges

AFTER more than doubled interest charges, profits before tax of Wadham Stringer, car, truck and van distributor, were down from £2.5m to £2.3m in the six months ended June 30, 1979.

Turnover amounted to £121.6m against £94.2m in 1978. Order books and sales rates are strong and this continues, the directors say. Besides the high cost of finance, operating and fixed expenses are rising continuously and this makes it difficult to predict the future.

The interim dividend is stepped up from 1.1p to 1.21p—the total last year was 2.45p from pre-tax profits of £4.01m.

	1978	1979
Turnover	121.6	94.2
Trading profit	3.5	2.3
Assoc. Co. share	1.2	1.2
Interest payable	1.2	1.2
Profit before tax	2.5	2.3
Tax	0.4	0.4
Net profit	1.9	1.9
Minorities	0.1	0.1
Extraord. items	0.1	0.1
Earnings	1.7	1.7
Dividends	1.1	1.2
Retained	0.6	0.5

A circular is being sent to shareholders giving details of certain acquisitions and disposals, including Shetland Boats, which have been made since the beginning of the year.

The purpose has been to rationalise certain franchise arrangements with BL, to increase the involvement with Ford and to expand boat building and manufacturing activities so as to reduce overall dependence on the motor and vehicle distribution industry and increase the return on shareholders' funds, the board states.

● **comment**

There are no surprises in Wadham Stringer's first half results, which show a profit shortfall of 8 per cent after more

than doubled interest charges. This reflects higher finance costs rather than any large jump in borrowings and a squeeze on margins from the BL distributorships, which bring in around 60 per cent of group profits. BL's declining market share is clearly a worry and to combat this Wadham is spreading its interests into Ford dealerships and non-motor areas. For the moment though, the company is still heavily dependent on BL. Fortunately, it is located mainly in the south west, where BL sales have not been as depressed as elsewhere in the country. Unit sales of all new cars are about 9 per cent higher, with BL figures showing an impressive 14 per cent rise against the national trend. But the second half does not look as buoyant and the group may only manage a recovery with the help of acquisitions. On last year's earnings, the prospective p/e is under 4 at 36p while the yield, taking a line through the interim dividend, is 11 per cent. This compares with historical ratings of 5 and 7.8 respectively for the sector.

Solicitors' Law recovering

RESULTS of Solicitors' Law Stationery Society for the first half of 1979 shows that progress continues to be made in the recovery from the disappointing second half of 1978.

Sales for the first six months rose 2.9 per cent to £11.9m and pre-tax profits were £401,939

against £722,964 in the same period last year. At the end of the 1978 year, the group produced pre-tax profits of £796,000 and omitted the final dividend.

In view of the steadily improving situation, the Board is declaring an interim dividend of 0.75p and expects that the year's total should at least equal the 1.474p interim for 1978.

Mr. R. A. Hodges, chairman, says the first half results reflect the exceptional losses incurred in the final trading stages of the construction or closing of unprofitable areas as outlined in his annual report.

Due to continuing unfavourable trading conditions in Belgium and France and the loss of the major agency, it was considered advisable to bring forward the planned closure dates of those operations so as to minimise the total potential loss, the chairman says.

Although this is likely to increase the costs of closure above the provisions made, there will be a partial offset in the containment of trading losses.

Vander-Oyer S.A. was closed at the end of May, 1979. Oyer S.A. closed for business at the end of July, 1979, but continues to operate on a minimal number of staff to effect the final disposal of stock and to complete the closure by the end of the year.

The rationalisation of Oyer Business Machines is proceeding slowly, and loss-making areas have been reduced. The company should have reached, on a month by month basis, a break-even position by the end of the year, Mr. Hodges says.

Oyer Press had an extremely good start to the year. Oyer Publishing and associate companies in Canada are making sound profitable progress.

APV profit falls £0.76m midway

A £0.76m fall in taxable profits to £7.71m for the first half of 1979 is reported by APV Holdings, the processing and heat transfer equipment group.

Mr. H. P. N. Benson, chairman, says the full-year surplus will be lower than the £18.12m last time because of the engineers' dispute—how much lower will depend on the length of the strike. He had earlier expected similar full-time profits.

The chairman says the whole of the half-year shortfall came from overseas, mostly as a result of the strong pound.

First-half order intake rose from £113m to £127m, adjusted to June 30, 1979, exchange rates. This was satisfactory, the chairman adds, although he is concerned that the combination of the strong pound and the increasing inflation rate will make the group less competitive overseas.

The net interim dividend is raised 25 per cent to 2.8p (2.346p)—last year's final was 4.345p.

Turnover, excluding inter-company sales, increased from £114.88m to £120.85m. Tax took £3.26m (£3.21m)—SSAP 15 has been adopted and comparisons restated. Earnings per 50p share are given as 15.5p (17.9p) basic, and as 13.5p (16p) fully diluted.

	1978	1979
Turnover*	120.85	114.88
Profit	7.71	8.59
Associated loss	0.1	0.1
Profit before tax	7.61	8.49
Tax	2.20	3.21
Net profit	5.41	5.28
Minorities	0.1	0.1
Attributable	5.31	5.18
Preference dividends	0.1	0.1
Ordinary dividends	0.1	0.1

* Excluding inter-company sales.

● **comment**

Ignoring the effects of currency movements, APV's interim profits are broadly unchanged but it is now virtually certain that a record of 15 years of unbroken growth is about to be lost. Many of the smaller subsidiaries are now running at a loss and profits from all other units are expected to be materially down. The ordering trend in non-food activi-

ties which contribute some 25 per cent of group earnings, is definitely falling but the food division has been very strong and more than enough to cope with the problems of the severe overcapacity in the brewing industry. The founding operation, turned round by £400,000 in the half year to a surplus of £200,000 but the engineering strike has throttled the benefit of this accelerating improvement.

The dispute plainly kills any thoughts of a cogent earnings forecast but the group seems determined that the final dividend will be raised in line with the interim increase, unless of course the disruption runs into 1980, which indicates a prospective yield of 6.3 per cent at 180p. The shares dropped 7p yesterday to a new annual low and are obviously still vulnerable. But a one point discount to the mechanical engineering sub-sector average yield is a factor of the quality and reliability of past earnings.

FC Finance more than halved

After interest £1.28m higher at £3.29m, pre-tax profits of F. C. Finance fell sharply from £940,000 to £410,000 in the first half of 1979.

Turnover of the group, the ultimate holding company of which is Co-operative Wholesale Society, rose from £24.18m to £29.43m, and is split as advances and equipment leased £26.49m (£21.38m); and property sales £2.94m (£2.8m).

After an unchanged tax charge of £15,000—SSAP 15 has been applied and comparisons restated—earnings per 50p share are shown to have fallen from £12.9p to 5.4p. The net interim dividend is held at 1.1p—last year a total of 2.2p was paid from profits of £1.83m.

Hire purchase and instalment credit was up from £39.3m to £49.63m, after unrealised finance charges.

Ready Mixed Concrete Limited

Interim Results to 30th June 1979

	First 6 months 1979 £'000's	First 6 months 1978 £'000's	Full Year 1978 £'000's
Turnover	£319,880	£293,778	£632,190
Operating profit:			
United Kingdom	10,316	10,272	20,700
West Germany	3,126	2,906	10,897
Other countries	3,653	2,725	6,446
	17,095	15,903	38,043
Profit on disposals of properties	187	201	662
Associated companies	(1)	238	518
Interest	(2,076)	(1,327)	(2,672)
Profit before taxation	15,205	14,815	36,551
Taxation	(4,968)	(4,721)	(11,511)
Outside shareholders' interests	(1,544)	(1,333)	(4,388)
Extraordinary items	979	—	—
Profit available to shareholders	£8,672	£8,761	£20,652
Dividends per share	3.35p	2.79p	6.7p

Improved trading conditions in the second quarter of 1979, particularly in West Germany, resulted in an increase in profit before taxation to £15,205,000 (1978 £14,815,000).

The Directors have declared an interim dividend of 3.35p per share payable on the 1st December 1979 to shareholders on the register at the close of business on the 26th October 1979.



Midway advance by Morrison

FOLLOWING THE record £3.57m in the last full year, Wm. Morrison Supermarkets expanded pre-tax profits from £1.42m to £1.92m for the six months ended August 4, 1979, on increased turnover of £61.57m against £50.47m.

Profit included rents receivable of £112,000 (£90,000), but was struck after interest charges up from £90,000 to £187,000.

Mr. K. D. Morrison, the chairman, feels the result is particularly pleasing in view of the difficult start to the year caused by the after effects of the lorry drivers' strike combined with bad weather conditions.

Work has continued to bring the ex-Whelans Discount Stores units up to the company's normal standards and the effects are increasingly showing in both turnover and profits, the chairman adds.

The net interim dividend is lifted from 0.843p to 0.7p per 10p share—last year's total was 1p.

The stores at Ince-in-Makerfield of 32,000 sq. ft. and Darlington of 96,000 sq. ft. will open ahead of schedule in October, 1979, and April, 1980, respectively. It is anticipated that the 60,000 sq. ft. Harrogate store will open in the autumn of next year, while the extension of some 12,000 sq. ft. to the existing Halifax store will be completed by late 1980. A number of additional sites are at various stages of negotiation.

Construction of the 90,000 sq. ft. fresh food factory has commenced and is scheduled for completion in the middle of next year.

No calculation of tax charges have been made in the interim results, as the board considers that relief due to stock appreciation and first year allowances are impossible to calculate at this stage.

● **comment**

Considering the weather and

delivery problems earlier in the year, Morrison's first half figures are pleasing. Stripping out Whelans, the new acquisition, there is still some volume growth on the groceries side and trading margins, at 3.3 per cent (2.8 per cent), are comparable with the major supermarket chains. Meanwhile, the physical expansion programme is going ahead strongly while Whelans is beginning to show its true potential. Overall, around £4.5m pre-tax looks possible for the year—an increase of more than a quarter. At 180p the share price has drifted downwards from the year's peak of 189p and there could still be some way to go, in spite of a doubled interim payout. Assuming the dividend increase is repeated at the final stage, the prospective yield is less than 2 per cent while the fully-taxed p/e is a hefty 17.4.

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Harrisons Malaysian Estates Limited

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YEAR TO 31st MARCH 1979

As a result of higher oil palm products and cocoa crops and improved prices for rubber and oil palm products, the pre-tax group profit of £30.5 million comfortably exceeded that for the previous year of £25.2 million.

CAPITAL EXPENDITURE

Our development plans involve an expenditure of £3.1 million on planting and £4.4 million on buildings, equipment, vehicles and effluent works during the current year.

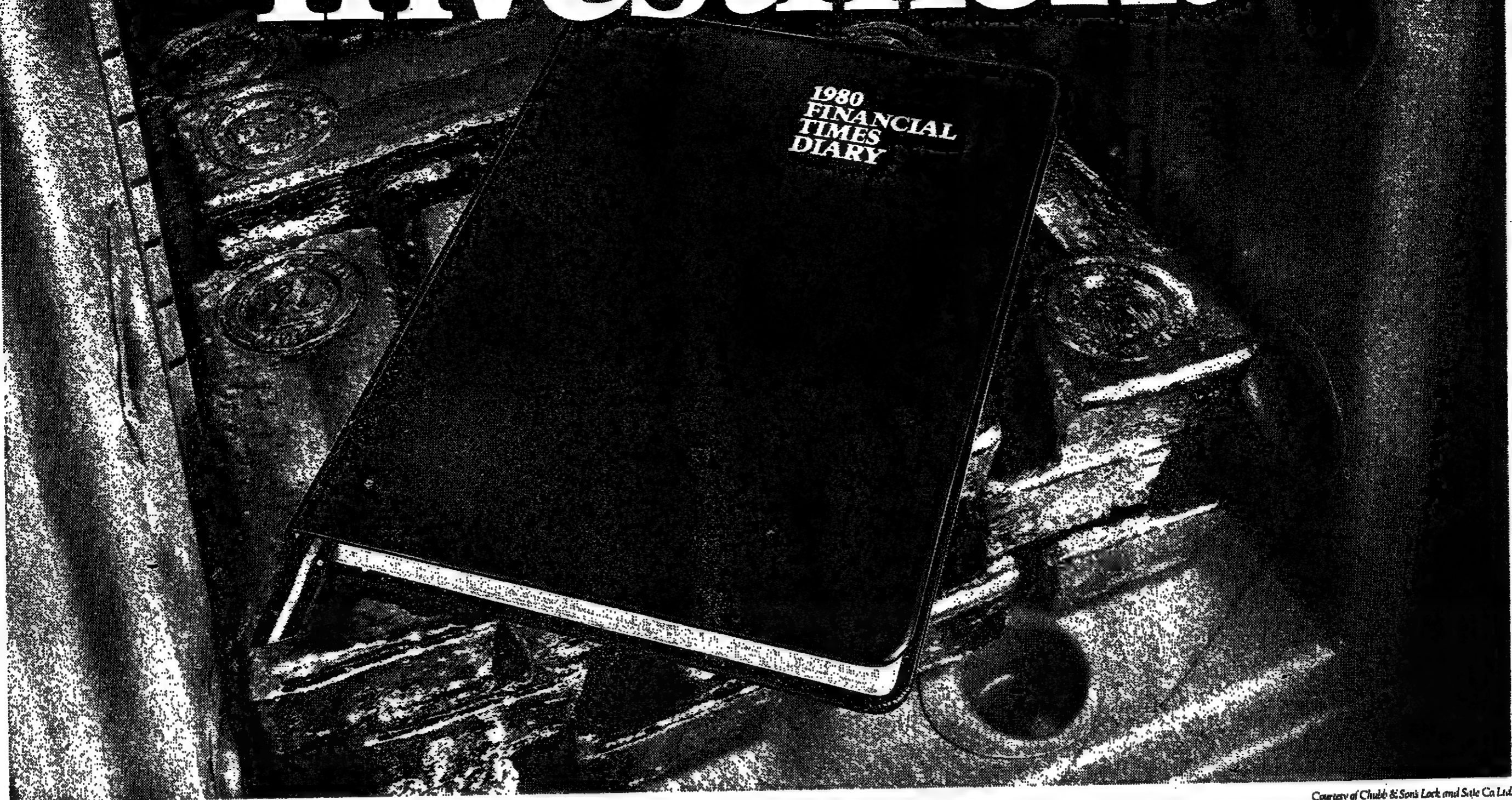
ANALYSIS OF RESULTS

	1979 £'000	1978 £'000
Rubber.....(40,622,138 kg)	3,878	3,564
Palm oil and kernels.....(136,135 tonnes)	16,373	12,716
Copra.....(4,529 tonnes)	509	605
Cocoa.....(4,917 tonnes)	5,926	5,702
	26,686	22,587
Other income.....	3,784	2,599
GROUP PROFIT BEFORE TAX	30,470	25,186
GROUP PROFIT AFTER TAX AND MINORITY INTERESTS	16,424	11,397
EARNINGS PER SHARE	9.84p	7.01p
DIVIDENDS for year	6.50p	4.00p

PROSPECTS

Our operations in Malaysia are running smoothly and with generally satisfactory prices ruling for our products the outlook for the current year is encouraging.

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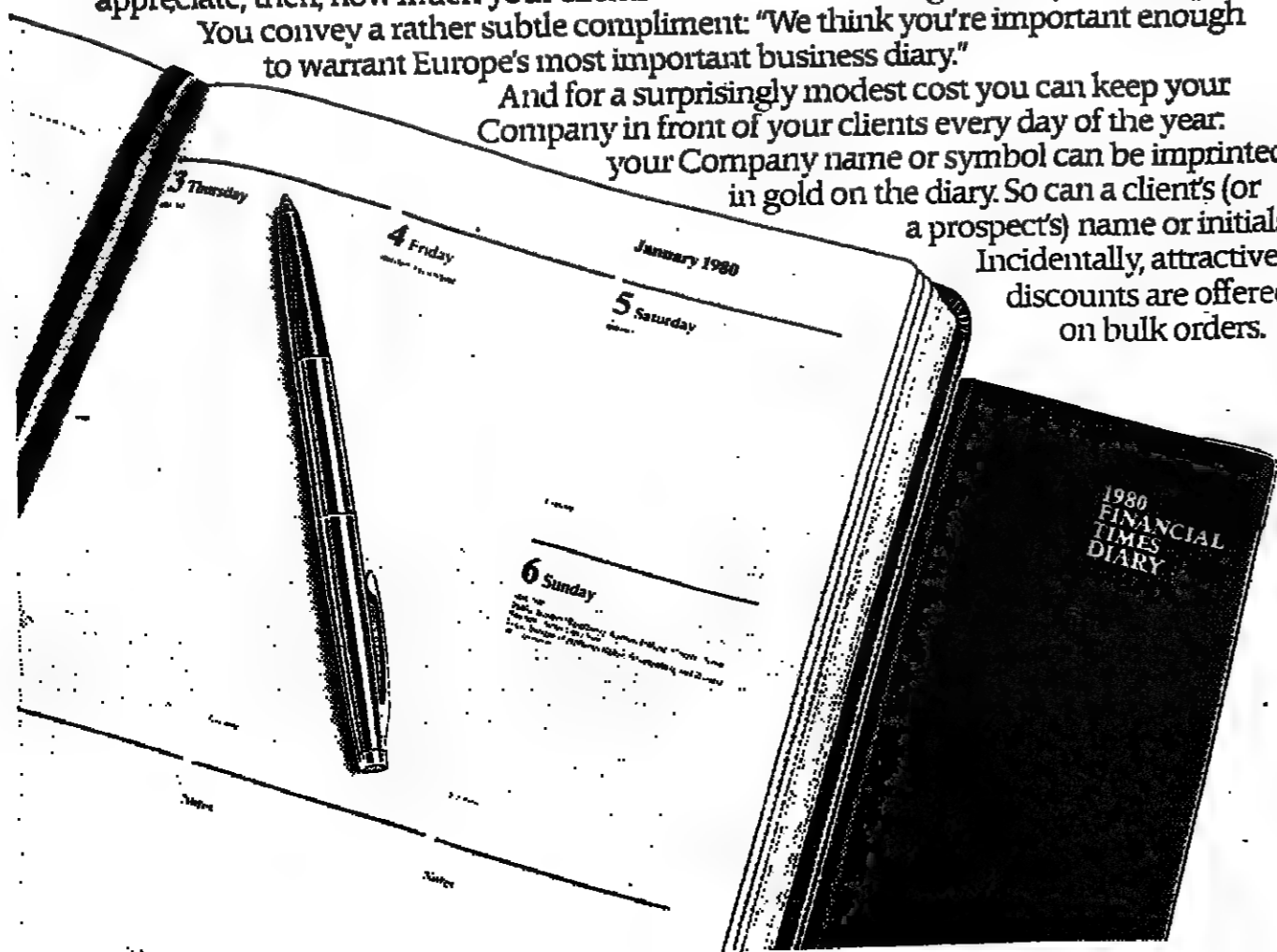
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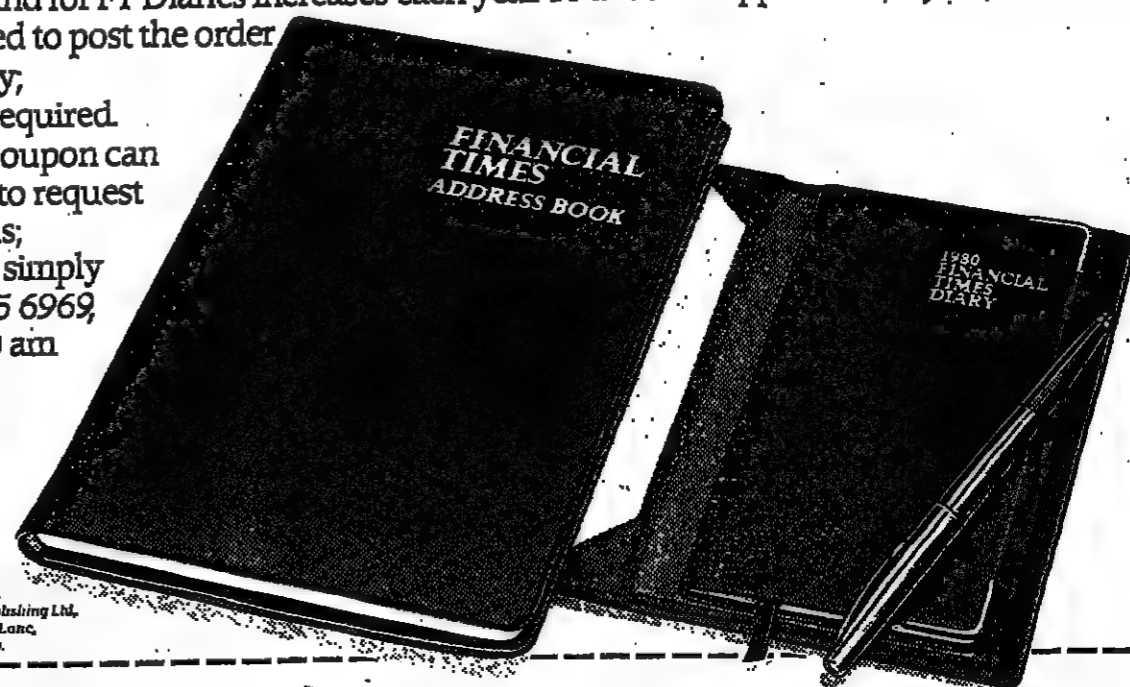
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Companies and Markets

BIDS AND DEALS

Dalgety will not increase £70m offer for Spillers

BY RAY MAUGHAN

Dalgety will not increase its £70m share offer for Spillers. The bidder announced yesterday that "in view of the lack of any convincing arguments from Spillers and, in particular, the lack of any profit figures for the six months ended August 1979, there is no case for any improvement in the terms of the offer."

The decision is binding and Dalgety has thus deliberately forfeited the right to come back with higher terms at a later stage. Its offer first closed last Friday and was accepted by holders of 29.1 per cent of Spillers' equity, including a 12.3 per cent stake held by Dalgety's financial advisors, Lazarus.

The bid has been extended until next Monday and Dalgety has the right to extend again the bid lapses at the end of October. The latest move, explained Dalgety chairman Mr. David Donne, is designed to "knock out" the widespread speculation that the terms were about to be raised.

Mr. Michael Vernon, chairman of Spillers, made it clear that he had no plans to bring the publication of the group's interim figures forward from October 24, and was quoted yesterday as saying that the management accounts for the period were "not terribly relevant." With flour margins under pressure and a disappointing contribu-

tion from Modern Maid in the U.S., the group is known to have gone through a tough first half.

The decision to stick with the original one-for-six share offer terms was described by Spillers as a "gambler's last throw or a ploy to wrinkle out fainthearted shareholders."

The defender claims that its analysis shows that small shareholders, who own around 85 per cent of the outstanding equity, are "unimpressed" with Dalgety's terms.

HYMAN VENTURE WITH USM

I. and J. Hyman has entered into agreements with United States Mineral Products whereby they will jointly purchase certain rights to exploit new technology in the manufacture and processing of, expanded polystyrene.

The rights will be acquired by a joint company established in Switzerland (Cellofoam AG) owned by Hyman (51 per cent) and USM (49 per cent). The consideration payable by Cellofoam AG to acquire the rights in question will be U.S.\$375,000 plus the payment to the vendors annually of one half of the net profits of Cellofoam.

Cellofoam will, in addition, spend a further sum of \$150,000 in developing the rights acquired. Hyman's investment in Cellofoam AG will be U.S.\$237,000.

Cellofoam has agreed to enter into two licences to exploit the polystyrene technology—one re-

lates to nine states in Southern U.S. and has been granted to the vendors of the technology.

The other relates to the remainder of North America and has been granted to a new partnership (Cellofoam North America) established by Hyman and USM in New Jersey (in which Hyman's interest is 49 per cent and USM's interest is 51 per cent). Both these licences have been granted royalty free.

AVERYS/GEC

Averys has advised its shareholders not to sell their shares. Mr. Richard Hale, the chairman, has given this advice in a letter reminding Averys shareholders that the board is unanimously opposed to the bid by GEC.

The terms offered by GEC are "totally inadequate" says Mr. Hale. He says that he will write to them again shortly to explain the reasons why the offer should be rejected.

B & H/MINCORP

Burnett and Hallamshire Holdings announces that acceptance of the recommended offer for Mining Investment Corporation have been received from the holders of 94.72 per cent of the share capital of Minicorp.

The offer is now unconditional and all the other conditions of the offer will be satisfied upon the completion of the acquisition by Minicorp of the capital of Waterhays and Oaken which is expected to take place on September 28. The offer will remain open, until further notice.

Homestake steps up its gold exploration

BY PAUL CHEESBRIGHT

AMERICA'S Homestake Mining, the largest gold producer in the U.S., has sharply expanded its exploration programme in order to increase its ore reserves. The programme is part of a plan to raise the contribution of gold to one-third of the group's net income over the next ten years.

The exploration budget this year is \$10m (\$4.6m), compared with \$2.5m in 1978. Mr. Harry Conger, Homestake's chief executive, said yesterday. Expenditure of \$10m is also planned for next year. The focus of the effort will be the U.S.

But the group has not been able to take maximum advantage of the recent surge in the bullion price. Production from its major operation, the century-old gold mine in the Black Hills of South Dakota, is running between 15 and 20 per cent below normal.

This is because the group is investing in a change of mining methods, which eventually will permit the use of more mechanised techniques, Mr. Conger said. Although income from gold will be substantially higher this year than last, the changes at the mine are nevertheless adversely affecting earnings. But Mr. Conger would not offer an estimate of 1979 profits.

As far as the gold price is concerned, Mr. Conger thinks it will stay relatively high at present levels expressed in 1979 dollars. But he conceded that Homestake, while expecting a rise, had underestimated the extent of it, by 50 per cent.

Coal action call
 A bid to break down the divisions between the miners

industry, the U.S. government and environmental interests was made at the American Mining Congress in Los Angeles by Dr. Michael Koleda, the executive director of President Carter's commission on coal.

He was arguing for a greater use of coal by power utilities and industry and made a plea for a unified approach to reducing U.S. dependence on imported oil.

The commission was established by President Carter last year to examine the state of the industry in the aftermath of a long and damaging strike.

Mining share markets
 advanced strongly yesterday in the wake of the climbing metal prices. South African Gold shares dominated the scene with strong buying from the U.S. and the Continent. Johannesburg and London impinging on a market none too well supplied with stock.

The pace of the buying quickened in the afternoon. Immediately before the gold "fixing" when the bullion price touched a highest-ever \$397 per ounce, it subsequently closed at \$395, a rise of \$184 on the day.

Share prices lost only a fraction of their gains at the close and rises on the day extended to \$34 in the case of West Driefontein \$314. The gold mines index showed one of its highest-ever rises of 20.4 at 247.1, its highest since November, 1975. In ex-premium form it was 17 up at 214.3, the highest since August 1975.

Dr. Koleda's conciliatory remarks cut across the prevailing mood of confrontation at the congress where intense anger has been constantly expressed about the aims of environmentalists and the regulatory policies of the Administration.

"The true significance of the passing of the 1970s is that the isolated approach to energy, the economy, the environment and national security is no longer acceptable."

The coal commission estimates that the replacement of oil and gas in power stations and large industrial boilers by coal could save the energy equivalent of 1.5m barrels of oil a day by 1985 and 2.5m by 1990. Present U.S. energy consumption is equivalent of about 37m barrels of oil per day. Oil imports run at about 8m barrels per day.

His calculations were made against the background of depression in the coal industry caused by flat markets and sagging prices. Small mines have

been closing and the number of unemployed miners is rising.

The reluctance of major users to burn more coal when it costs between one-third and one-half the price of oil are varied, Dr. Koleda noted.

Power utilities can pass on to their customers the higher costs of using imported oil without having to face inquiries into their charges, but they cannot pass on directly the cost of converting or constructing facilities to use coal.

At the same time, the utilities are fearful of attempts by local citizens to block the building of new power stations and they want to keep a mix of fuel options, Dr. Koleda said. They are concerned that uncontrolled rises in rail freight charges will wipe out the benefits of coal relative to oil.

And Dr. Koleda charged, environmental groups have not faced up to the fact that solar energy and greater conservation will not reduce oil imports quickly enough from their current levels.

ROUND-UP

South Africa's Rand London Corporation announces a final dividend of 8 cents (4.4p) bringing the total payment for the year to June 30 to 11 cents against 10 cents. In August the company announced net profits of R3.11m (£1.72m) compared with R1.82m in 1977-78.

In the 19 weeks to September 19 Australia's Mount Lyell, a member of the Gold Fields group, mined 248,960 tonnes of ore grading 1.35 per cent copper. This had a metal content in concentrates of 3,021 tonnes of copper, 76,527 grammes of gold and 403,282 grammes of silver.

Inspired by the strength of gold and silver prices, Australia's Mount Carrington Mines and Aberfoyle Exploration are conducting a joint venture deal for precious and base metal prospecting in the Drake mineral field of northern New South Wales. Aberfoyle, a member of the Combe group, will manage the venture and earn a 30 per cent stake by spending A\$300,000 in the first three years on the exploration work, this rising to 30 per cent with the expenditure of A\$800,000 over five years.

ALVA INVESTMENT TRUST—Gross income for August 31, 1979, half-year £14,210 (£101,801). After expenses A\$200,000 in the first three years on the exploration work, this rising to 30 per cent with the expenditure of A\$800,000 over five years.

Interim Dividend announcement and statement for the half year ended 30th June 1979.

New Business and Premium Income for the Half Year (estimated and unaudited)

	1st Half 1979	1st Half 1978	Increase 1979 over 1978	Full Year 1978
New annual premiums	£21.0m	£17.5m	19%	£36.1m
New single premiums	£38.7m	£32.0m	21%	£67.3m
New initial commissions	£10.1m	£7.7m	31%	£16.4m
New sums assured	£666m	£466m	43%	£1,028m
Premium income received in the period on annual policies	£55m	£51m	27%	£104m
Total premium income received including single premiums	£104m	£83m	25%	£171m
Total assets at end of period	£316m	£517m	32%	£690m

New business during the half year continued on a strong upward trend and was well spread over the Company's range of life assurance and pension policies. The greatest increase came from the Whole Life Plan, and this is reflected in the growth in new sums assured. Current business trends

Since the 30th June the level of new business has continued at a rate substantially above that of the corresponding months of 1978.

The Company has just launched two new Plans. The first, the Maximum Investment Plan, is a 10 year unit-linked endowment policy,

with a high investment content and flexible options for policyholders. The second is a simple alternative to self-administered pension schemes for small companies, which should help maintain the Company's position as market leader in the field of executive pension plans.

Interim Dividend
 An Interim Dividend of 1.5p per Share, net of tax credit (1978, 1.2p per Share, after the share split), will be paid on 25th November 1979.

This dividend will be paid to all shareholders on the register at the close of business on 29th October 1979.

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Further improvement in liquidity

Extracts from the Statement to Stockholders by Mr. Ivan C. Hill, Chairman

Last year I concluded my review of future prospects by underlining the point that to improve upon the profit of that year would require an upturn in international trading. There was in fact a downturn and as a result the profit is understandably lower than that of the previous year. Nevertheless the profit was adequate to support the policies which we are vigorously pursuing to secure a prosperous future for the Group.

The 1978/79 profit attributable to Illingworth Morris stockholders amounted to £2.82m compared with £3.25m for the previous year. Once again I am pleased to be able to report an improvement in liquidity, this time of over £1m after full implementation of the capital expenditure programme at a cost of £2.67m.

World economic conditions are still depressed and in this climate an assured and profitable future for the Group can only be secured by continuing rapid and positive action to meet the situation. The policy must be, whilst setting out to ensure the maintenance of acceptable dividends, to use available resources to build up the Group's competitive strength to meet all eventualities.

RESULTS AT A GLANCE

	1979	1978
Year ended 31st March	£'000	£'000
Sales	120,797	115,710
Profit before Taxation	3,363	4,760
Profit after Taxation	2,958	3,464
Dividends	753	669
Earnings per Stock Unit	6.83p	9.86p

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Canadian view of rising demand for minerals

WORLD demand for minerals is expected to "escalate at remarkable rates," according to Mr. Harold Fargy, executive vice-president of Cominco, reports John Sogantich from Toronto in his latest round-up of the Canadian mining scene.

Mr. Fargy pointed out that "knowledgeable forecasters" (including Cominco) expect world consumption of most metals to double within the next 20 years. This, he thought, would severely strain the producing capacity of Canada and the other metal mining nations.

Canada's Department of Energy, Mines and Resources estimates that just to maintain Canada's present share of the minerals' market will require the development of 30 new mines—about equal to the same number that are now in operation.

Mr. Fargy said that the task of finding the new mineral deposits needed will be "a formidable undertaking." But given

a favourable regulatory and tax environment, he expected that the major mining companies would accelerate their Canadian exploration activities in the 1980s.

And he pointed to the important part that the junior exploration companies could play in this, "with their ability in reacting quickly in acquiring ground and their skills in financing new ventures."

Kerr Addison's C578m (£31m) Agnew uranium mine near Espanola, Ontario, which started production as recently as June, 1977, is to be run down over the next six months. Thereafter it will be placed on a salvage leach basis for as long as it is economic to recover uranium from stocks of broken rock underground and on surface.

The troubled operation has produced less than 40 per cent of capacity, largely because of a

poor rate of uranium recovery from the ore, and has sustained substantial financial losses.

The Anglo American Corporation's Hudson Bay Mining and Smelting has signed a new three-year collective bargaining agreement to cover certified employees in the company operations in Flin Flon and Snow Lake. It will run from October 1, 1979, to September 30, 1982. A membership vote on Wednesday, September 19, 1979, ratified the agreement with a 77 per cent majority.

Directors admit conspiracy and fraud in tax case

BY PETER O'CONNELL

SEVEN company directors yesterday admitted charges of conspiracy and fraud in a tax case to use the controversial section 23 of the 1976 Taxes Management Act, which gives the Inland Revenue power to search premises and seize documents.

A warrant was granted by Judge George Black at Birmingham Crown Court in March 1977, to search for evidence in a "spider's web" of fraud among nine companies, said Mr. Benet Hytner, QC, prosecuting counsel.

At Northampton Crown Court yesterday the Inland Revenue pursued its prosecution of Kenneth George, Philip Barlow, and John Addison, directors of Tri-Kem Chemical Company, Northampton; Ernest Berrow, managing director of Jobe Flating, Birmingham; Trevor Wilden, partner of H. E. Wilden and Son Engineers, of Birmingham; Bruce Green, managing director of Janda Chemicals, Northampton; and Geoffrey Blanshard, managing director of Mile Chemicals, Northampton.

George, Barlow and Addison each admitted five charges of conspiring to falsify documents. Addison, Berrow and Wilden admitted conspiracy. Blanshard denied conspiracy but admitted

aid charges of defrauding the Inland Revenue.

Mr. Hytner said: "It was the first time that such a warrant had been granted and executed in England. It was highly successful. Other people may have disapproved of the way this new power was used by the Inland Revenue."

Mr. Hytner said £119,000 had been lost in the frauds which ran over seven years to June 1978. He explained the money was obtained by entering details on the invoices of each other's companies and were then entered into the accounts books as if purchases had actually gone ahead.

In fact, Tri-Kem's three directors split the proceeds they gained from avoiding the revenues which should have been charged, said Mr. Hytner. Barlow even had invoices printed with the names of three companies unknown to them: Van Leer (UK), the London packaging subsidiary of British Tar, Berk Chemicals of Basingstoke, and Fibre Drums of St. Helens, Lancashire.

Mr. Hytner said: "These invoices were passed to Green, probably in exchange for funds invoices. Green used them to create false purchases in the Janda books."

The case continues today.

Galliford Brindley Limited

PRELIMINARY RESULTS

Year to 30th June	1979	1978
£	£	£
TURNOVER	51,646,000	38,582,000
Profit before taxation	2,869,996	2,513,930
Taxation	1,030,493	606,852
Profit after taxation	1,839,503	1,907,078
Final dividend proposed—per share	3.000p	2.667p
Interim dividend paid—per share	1.125p	0.75p
Total dividend paid and proposed	4.125p	3.417p

Bowring

Profit announcement for the Half Year ended 30th June, 1979

□ The unaudited Consolidated Group Profit after convertible loan stock interest for the six months to 30th June, 1979 is £17,902,000 as against £19,784,000 for the six months to 30th June, 1978.

	6 months ended	12 months ended
	30.6.79	30.6.78
Turnover	£'000 658,028	£'000 645,020
Consolidated Group Profit	17,902	19,784
Taxation	9,309	10,288
Profit after Taxation	8,593	9,496
Minority	264	277
Profit after Taxation Minority	8,309	9,219
Preference dividend	5	5
Available for Ordinary Shareholders	8,304	9,214
	19,568	

□ Insurance Broking profits have been adversely affected by the higher value of sterling against the dollar and Bowmaker's credit finance business has suffered from the effect of high interest rates.

□ Singer & Friedlander has again shown an improved contribution as have the Underwriting interests. Trading and Shipping activities continued to operate in difficult conditions but are expected to show some improvement on last year's trading results.

□ The figures shown above incorporate a change of accounting basis at Bowmaker which now takes credit for net leasing income in relation to funds invested. The effect of this change as opposed to the previous basis has been an increase in the profits shown above of £154,000 for the current six months, £716,000 for the six months ended 30th June, 1978 and £950,000 for the year 1978.

□ The adverse factors affecting the six months to 30th June, 1979 have continued since that date and are bound to affect the year's results.

□ The Directors have resolved to pay an interim dividend of 1.47p per share which together with imputed tax credit amounts to 2.1p per share (1978 1.5125p per share). The interim dividend will be paid on 19th November, 1979 to Ordinary Shareholders on the Register on 19th October, 1979. This dividend will absorb approximately £1,609,000.

Awarded to C.T. Bowring (Insurance) Holdings Ltd.



C. T. Bowring & Co. Ltd

The Bowring Building, Tower Place, London EC3P 3BE

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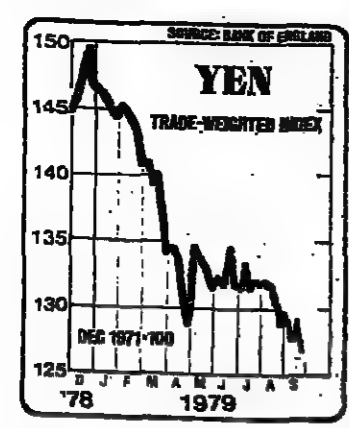
\$ very weak

The dollar fell sharply in nervous foreign exchange trading yesterday, reflecting disappointment at the low level of support given by the Federal Reserve and news that Venezuela is to raise the price of heavy oil by 6.05 per cent from Monday. The dollar was weaker against all major currencies except the Japanese yen, where it improved to ¥223.40 from ¥222.75. The U.S. currency fell to DM 1.7445 from DM 1.7465 against the D-mark, and to SwFr 1.5565 from SwFr 1.5585 against the Swiss franc. The dollar's trade-

NEW YORK—The dollar tended to stabilise in early trading after a sharp fall against the D-mark and Swiss franc. It improved to DM 1.7468 against the D-mark from an early rate of DM 1.7444, but well down from the previous close of DM 1.7610. Central bank intervention was described as muted. **FRANKFURT**—The Bundesbank bought \$10.53m when the dollar was fixed at DM 1.7438, its lowest level since the end of October last year. On Wednesday it was fixed at DM 1.7688. The German authorities and other European central banks gave assistance to the U.S. currency in the open market. Rumours that the Organisation of Petroleum Exporting Countries may be switching out of dollars into a basket of currencies or sterling added to the pressure, and the market was also nervous ahead of the U.S. trade figures. The Bundesbank probably intervened around the DM 1.7475 level, and the Federal Reserve was expected to give support later.

MILAN—The dollar came under heavy pressure, falling to its lowest level since the end of October last year. It was fixed at L803.30 against the lira, compared with L808.35 on Wednesday, and the Bank of Italy sold half of the \$30.3m traded officially. EMS currencies and the Swiss franc rose sharply. The D-mark was fixed at L480.85, compared with L487.71 previously, and the Swiss franc rose to L517.80 from L512.40. Sterling improved to L1.763.90 from L1.755.40.

TOKYO—The dollar showed little change against the Japanese yen, closing at ¥223.40, compared with ¥223 on Wednesday. The U.S. currency touched a low point of ¥221.90, and rose to a level of ¥222.80 during the morning. Settlement of import bills continued to help the dollar, but this was balanced by expectations of an increased U.S. trade deficit in August.



weighted index on Bank of England figures, fell to 83.7 from 84.2. Sterling was helped by the decline of the dollar, but also lost ground against the major European currencies. The pound opened at \$2.2035-2.2045 and finished a high point of \$2.2175-2.2185. Several European central banks, including the Bank of England, intervened to help the dollar, and as the dollar recovered sterling fell to \$2.1905-2.1910. It closed at \$2.2037-2.2047, a rise of 1.47 cents on the day. The pound's index, as calculated by the Bank of England rose to 83.7 from 83.2, after standing at 83.0 at noon, and 83.5 in the morning.

EMS EUROPEAN CURRENCY UNIT RATES					
Currency	Unit	Sept. 27	Sept. 26	% change	% change
Belgian Franc	100	36.955	36.910	+0.12	+0.12
Dutch Guilder	100	3.765	3.765	0.00	0.00
French Franc	100	6.5535	6.5535	0.00	0.00
German Mark	100	2.456	2.456	0.00	0.00
Italian Lira	100	1159.32	1159.32	0.00	0.00
Portuguese Escudo	200	200.00	200.00	0.00	0.00
Spanish Peseta	166.64	166.64	166.64	0.00	0.00
Swiss Franc	100	2.036	2.036	0.00	0.00

EXCHANGE CROSS RATES					
Currency	Unit	Sept. 27	Sept. 26	% change	% change
Pound Sterling	1	1.000	1.000	0.00	0.00
U.S. Dollar	1	0.654	0.654	0.00	0.00
Deutsche Mark	1	0.508	0.508	0.00	0.00
Japanese Yen	100	354.0	354.0	0.00	0.00
French Franc	100	1.636	1.636	0.00	0.00
Swiss Franc	100	1.363	1.363	0.00	0.00
Dutch Guilder	100	3.765	3.765	0.00	0.00
Italian Lira	100	1159.32	1159.32	0.00	0.00

EURO-CURRENCY INTEREST RATES					
Term	Rate	Term	Rate	Term	Rate
1 month	12.50-12.60	3 months	12.50-12.60	6 months	12.50-12.60
9 months	12.50-12.60	12 months	12.50-12.60		

U.S. rates higher

Treasury bill prices opened lower in New York yesterday and the yield on 13-week bills rose to 10.32 per cent from 10.13 per cent and 26-week bills to 10.28 per cent from 10.21 per cent. Federal funds opened at 11.11 per cent and rose to 11.12 per cent. However the Federal Reserve Bank entered the market to inject liquidity by arranging overnight repurchase agreements with Fed funds having reverted to 11.11 per cent. The Fed's action was much in line with expectations since it was generally understood that money would have to be pushed into the system for technical reasons. This was underlined by the arrangement on Wednesday of four-day repurchase orders, designed to give the market a greater level of liquidity on a more permanent basis than a day-to-day basis.

PARIS—Interest rates were slightly firmer in the short end but eased in the longer end, so that rates for one, three, six and 12-month money were all at 11.11 per cent. However in later trading three to 12-month money firmed a little to 11.12 per cent while the one-month rate eased to 11.11 per cent. Call money remained at 11.11 per cent.

Record close

FRANKFURT—Call money was quoted at 4.75-5.25 per cent compared with 4.50-5.00 per cent on Wednesday and one-month money eased from 7.60-7.70 per cent to 7.50-7.65 per cent. The three and six-month rates were unchanged at 7.50-8.00 per cent and 7.55-8.05 per cent respectively. One-year money was cheaper at 7.50-8.00 per cent against 7.55-8.05 per cent.

BRUSSELS—Interest rates continued to climb yesterday as the Belgian franc remained under pressure within the European Monetary System. Deposit rates for the Belgian franc were quoted at 11.11 per cent for one and three-month while six-month deposits rose to 12.12 per cent from 12.11 per cent. The 12-month rate was also firmer at 11.11 per cent compared with 11.11 per cent.

AMSTERDAM—Call money rose to 9.91 per cent from 8.9 per cent but one-month money remained at 9.9 per cent. The three-month rate was firmer at 9.10 per cent while six-month money stayed at 9.91 per cent.

Further help

HONG KONG—Conditions in the money market were tight with call money at 13 per cent and overnight business also dealt at 13 per cent.

THE POUND SPOT AND FORWARD					
Sept. 27	Sept. 26	Sept. 25	Sept. 24	Sept. 23	Sept. 22
U.S.	2.2037-2.2047	2.2037-2.2047	2.2037-2.2047	2.2037-2.2047	2.2037-2.2047
Canada	2.5800-2.5810	2.5800-2.5810	2.5800-2.5810	2.5800-2.5810	2.5800-2.5810
Belgium	61.55-62.00	61.55-62.00	61.55-62.00	61.55-62.00	61.55-62.00
Denmark	11.10-11.15	11.10-11.15	11.10-11.15	11.10-11.15	11.10-11.15
France	6.5535-6.5545	6.5535-6.5545	6.5535-6.5545	6.5535-6.5545	6.5535-6.5545
Germany	2.456-2.457	2.456-2.457	2.456-2.457	2.456-2.457	2.456-2.457
Italy	1159.32-1159.42	1159.32-1159.42	1159.32-1159.42	1159.32-1159.42	1159.32-1159.42
Japan	223.40-223.50	223.40-223.50	223.40-223.50	223.40-223.50	223.40-223.50
Spain	166.64-166.74	166.64-166.74	166.64-166.74	166.64-166.74	166.64-166.74
Sweden	1.363-1.364	1.363-1.364	1.363-1.364	1.363-1.364	1.363-1.364
Switzerland	1.363-1.364	1.363-1.364	1.363-1.364	1.363-1.364	1.363-1.364

THE DOLLAR SPOT AND FORWARD					
Sept. 27	Sept. 26	Sept. 25	Sept. 24	Sept. 23	Sept. 22
U.S.	2.2037-2.2047	2.2037-2.2047	2.2037-2.2047	2.2037-2.2047	2.2037-2.2047
Canada	2.5800-2.5810	2.5800-2.5810	2.5800-2.5810	2.5800-2.5810	2.5800-2.5810
Belgium	61.55-62.00	61.55-62.00	61.55-62.00	61.55-62.00	61.55-62.00
Denmark	11.10-11.15	11.10-11.15	11.10-11.15	11.10-11.15	11.10-11.15
France	6.5535-6.5545	6.5535-6.5545	6.5535-6.5545	6.5535-6.5545	6.5535-6.5545
Germany	2.456-2.457	2.456-2.457	2.456-2.457	2.456-2.457	2.456-2.457
Italy	1159.32-1159.42	1159.32-1159.42	1159.32-1159.42	1159.32-1159.42	1159.32-1159.42
Japan	223.40-223.50	223.40-223.50	223.40-223.50	223.40-223.50	223.40-223.50
Spain	166.64-166.74	166.64-166.74	166.64-166.74	166.64-166.74	166.64-166.74
Sweden	1.363-1.364	1.363-1.364	1.363-1.364	1.363-1.364	1.363-1.364
Switzerland	1.363-1.364	1.363-1.364	1.363-1.364	1.363-1.364	1.363-1.364

CURRENCY RATES					
Currency	Unit	Sept. 27	Sept. 26	% change	% change
U.S. Dollar	1	0.654	0.654	0.00	0.00
Deutsche Mark	1	0.508	0.508	0.00	0.00
Japanese Yen	100	354.0	354.0	0.00	0.00
French Franc	100	1.636	1.636	0.00	0.00
Swiss Franc	100	1.363	1.363	0.00	0.00
Dutch Guilder	100	3.765	3.765	0.00	0.00
Italian Lira	100	1159.32	1159.32	0.00	0.00

OTHER MARKETS					
Commodity	Unit	Sept. 27	Sept. 26	% change	% change
Gold	100g	382.50	382.50	0.00	0.00
Silver	100g	14.50	14.50	0.00	0.00
Copper	100g	1.50	1.50	0.00	0.00
Aluminum	100g	0.80	0.80	0.00	0.00
Crude Oil	100g	12.50	12.50	0.00	0.00

LONDON MONEY RATES					
Term	Rate	Term	Rate	Term	Rate
1 month	12.50-12.60	3 months	12.50-12.60	6 months	12.50-12.60
9 months	12.50-12.60	12 months	12.50-12.60		

MONEY RATES					
Currency	Unit	Sept. 27	Sept. 26	% change	% change
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UK MONEY MARKET

Day to day credit continued to be in short supply in the London money market yesterday, and the authorities gave a moderate amount of assistance. This comprised moderate purchases of Treasury bills and a small amount of local authority bills, all direct from the discount houses. In addition, they lent a small amount to one or two houses at MLR for repayment today.

Rates in the table below are nominal in some cases.

UK MONEY MARKET					
Term	Rate	Term	Rate	Term	Rate
1 month	12.50-12.60	3 months	12.50-12.60	6 months	12.50-12.60
9 months	12.50-12.60	12 months	12.50-12.60		

Further help

Bank of England Minimum Lending Rate 14 per cent (since June 12, 1979)

MONEY RATES					
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Open letter to Sir Dennis Rooke, Chairman, British Gas Corporation from Thomas Marshall & Co. (Loxley) Limited, Sheffield

From J. Roger Gledhill.

Dear Sir Dennis,—My company produces refractories used mainly by the iron and steel industries. The process involves firing the product in kilns and uses 8 million therms annually.

We have 1,000 employees and we export over 50% of our product regularly.

In 1971 we began our total conversion to North Sea gas and became one of many small industrial users who collectively make up an important sector of your total market. We are, however, too small, as an industrial company, to have any meaningful negotiations with the Gas Board on price increases and our protests over the current massive increase have gone unnoticed. We have, therefore, taken this unusual course to bring our comments to your attention.

I trust, therefore, that you will take time off from contemplating your fifteen year forecast to consider a few indisputable effects of your new pricing structure.

Let me make five simple points:

1. The increase of 38.5% is penal; when applied to our three current contracts its effect will be to increase our annual bill for gas from £1.4 million to £2 million.
2. As you will appreciate, to maintain our high export ratio we must perforce be competitive with European and United States producers. Following your 38.5% increase, our gas costs will exceed those of our competitors by the following amounts:

USA	127%
West Germany	23%
Belgium	62%

Gas costs are our second highest element of cost. Please reflect on these figures.

They highlight a problem that you simply cannot ignore.

3. Our Sheffield based Works are to begin paying the 38.5% on October 1st. Competitors in the U.K. who have contracts renewed from July 1st are paying a 16% increase only. We are, consequently, being penalised by 22%, or in this case 4.0% of the price of the product because our first contract with you back in 1971 was dated October 1st even though it was entered into several years before certain competitors bit on the gas bullet.
4. Please give some thought to the commercial wisdom in the medium and long term of providing a mere 30 days warning of a 38.5% increase.

We obtain an important raw material from our friends at the National Coal Board, the total cost of which per annum is one-tenth the cost to us of your gas.

The NCB may have had their problems over the years, but we have always found them approachable and flexible with an imaginative and well informed recognition of industrial realities in the world about them.

They have always recognised that their notice period for exceptional price increases must take account of large export orders taken by us at firm prices.

5. For some years now, one of our major export successes has been based upon the importation from Pittsburgh, Pa., of a cheap but special fire clay raw material.

We have been able to sell a finished product made from this in competition with the American product, not only in Mexico and South America but even in the United States and Canada.

The strength of the £ has put the market increasingly at risk.

It will, without doubt, be killed stone dead by your increases.

Our company is small and flexible and therefore it will survive. For many years we have given permanent, steady and gainful employment to over 1,000 and we have a good industrial record by any standard. The responsibility for our inability to continue to assure them of continued employment must be yours not mine as long as you compel us to pay so much more for gas than our European and American competitors.

It is our aim to be constructive. We accept, not only the need to damp down the demand for industrial gas by equating its price to that of oil, but also that industry generally is in sympathy with the Government's declared intention of falling in with EEC pressure to remove subsidies. However, your increase does exactly the opposite. It acts as an impost against U.K. exports and therefore U.K. employment. Until an EEC price has been established the need to hold industrial gas prices firm at a maximum of 19p must over-ride the desire to equate prices.

It is my hope that you will accept that whilst the primary purpose of this open letter is to secure both employment and sufficient profits to sustain future investment for my company, it is also my aim to ensure that you and the Government fully understand the effects on industry of your policies.

J. Roger Gledhill. Vice Chairman
Storrs Bridge Works, Loxley, Sheffield.

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J. Roger Gledhill. Vice Chairman
Storrs Bridge Works, Loxley, Sheffield.

Sweeping change at the top in Italy's financial community

BY RUPERT CORNWELL IN ROME

THE RESIGNATION of Sig. Giorgio Capponi from the presidency of Istituto Mobiliare Italiano (IMI), the state-owned medium-term credit body, and the launch this week of the banking consortium to rescue the ailing Sella Italiana (SIR), in some respect mark the end of the "chemical war" which has convulsed Italian industry and politics through much of the 1970s.

These events also coincide with a number of sweeping changes at the heart of the country's banking and financial establishment, ranging from the central bank downwards.

Already Dr. Paolo Baffi has stepped down as Governor of the Bank of Italy, to be replaced by Dr. Carlo Campi, and within the last few days Sig. Alberto Boyer, former managing director of the giant state conglomerate Istituto per la Ricostruzione Industriale (IRI) has been appointed chairman of the state-controlled Credito Italiano, the third largest commercial bank in Italy.

Now, in addition to IMI, there are vacancies to be filled at another leading medium-term credit institute, Iccip, and at Cariplo, the Lombardy region savings bank organisation that ranks fourth in the national banking league by assets.

Between them IMI and Iccip are estimated to account for as much as half the total of medium-term lending to industry, with some L14,000bn (\$17.5bn) of outstanding loans. But the flow of new credit has been throttled back sharply since 1977—largely as a result of the acute financial difficulties which have overtaken the principal borrowers: the steel industry, and above all chemicals.

The old SIR of Sig. Nino Rostelli, a protagonist in the hostilities with Montedison, Italy's largest chemical group, collapsed under the weight of L2,000bn of debts.

IMI, the lending institute most heavily exposed, had over L1,000bn of credits outstanding to SIR. To sort out its finances, in this summer won approval for a L400bn capital increase, part of which will go towards the new SIR consortium, which in turn will lift its own capital shortly to L700bn, under the rescue plan drawn up by IMI.

Sig. Capponi, like Sig. Rostelli, was deeply involved in the battle within the industry to secure the subsidised loans on offer from the government-controlled banking system. For a short period he was president of the Montedison control syndicate, within which the struggle was at its most intense.

The flow of the blame for what happened probably should be attributed to the politicians, particularly the Christian Democrats, who ultimately control the banks, and who in large measure sponsored the headlong expansion of the chemical companies, which was fated to end in disaster with the oil crisis.

But inevitably some of the responsibility lies with the banks, and as the scale of the SIR crisis emerged, Sig. Capponi came under increasing pressure. He is reported to have indicated his wish to go three months ago, but waited until the consortium was irrevocably on its way.

SIR of course is not the only casualty. Montedison has now embarked on a painstaking recovery programme, but is still weighed down by its loss-plagued textile division. ANIC, the chemicals subsidiary of Ente Nazionale Idrocarburi (ENI) lost L175bn (\$211m) last year, though it managed to halve its deficit in the first half of 1979. Meanwhile, negotiations for the launch of another banking consortium to salvage the Liguigas group of Sig. Raffaele Ursini are still bogged down.

There are also other issues to be resolved. In the first place, successors at IMI and Iccip have to be named—no formality in a country where the top posts in the state-controlled banking system are regarded as key power-bases, in which the parties and their factions fight to place their own sympathisers.

Second, and perhaps more important still, there is the judicial inquiry into the SIR collapse, which has led to charges against Sig. Capponi and more than 50 other leading financial figures—including, of course Dr. Baffi himself and Dr. Mario Sarcinelli, deputy director general of the Bank of Italy—relating to alleged mismanagement of state funds.

Moreover, one of the magistrates involved, Sig. Lucio Infelisi, at one point sought to have Sig. Capponi arrested, along with four other figures in the SIR affair, including the company's ex-chairman, Sig. Rostelli. The future course of the investigation is impossible to predict.

Two new offerings for Belgian bond market

THE RE-EMERGENCE of Belgium's primary bond market gathered pace yesterday following the announcement that the cities of Antwerp and Liege are between them to borrow BFR 11bn (\$385m).

The funding move by the two cities follows the success earlier this month of the Belgian State offering—which raised a record amount for a government bond of BFR 69.5bn (\$2.4bn)—and comes after the weekend realignment of currencies within the EMS.

The EMS realignment has, for the moment, eased the upward pressure on Belgian interest rates, although dealers in Brussels continue to stress that confidence is returning very slowly. However, the two new issues—both over eight years on a coupon of 10 per cent—are expected to prove successful.

Dealers predict that the two offerings will command just under par when issue prices are struck next week ahead of the opening of subscriptions on Wednesday, October 10.

The domestic bond programme in Brussels includes two more issues this year. The next, at the beginning of November, will be for the Fonds des Routes, the state roadbuilding fund, which is expected to raise around BFR 30bn. In December a bond for Regie des Telephones et des Telephones will be issued and should raise BFR 12bn.

This month's borrowing by the government lifted bond issues by the Belgian states to BFR 246m.

The West German state of Lower Saxony is raising DM 250m on the domestic bond market through the issue of eight year bonds with a coupon of 7½ per cent. Issue price is expected to be 99½.

Hutchison contests HK Bank valuation

By Philip Bowring in Hong Kong

THE SALE by the Hongkong and Shanghai Banking Corporation to Cheung Kong (Holdings) of the effectively controlling stake of 25 per cent in Hutchison Whampoa for HK\$635m (US\$122m) brought further repercussions here yesterday.

The board of Hutchison said that the net asset value of its shares was HK\$14.30, or more than twice the price that Cheung Kong was paying the Hongkong Bank. The estimate was based on up-to-date valuations of Hong Kong property, which has been seeing its biggest boom since 1973. The Hutchison board contains two nominees of the Hongkong Bank. One of these resigned after yesterday's meeting, to reflect the bank's reduced interest in the company. It has sold all its ordinary shares but retained HK\$90m nominal of preference shares. Mr. Bill Wyllie, the Hutchison chairman, said bluntly that the shares had been sold too cheaply. The bank had not consulted with the Hutchison board, he said.

The Hongkong Bank then hit back with its own statement, claiming that a theoretical break-up value was of limited relevance. The bank was taking a handsome profit and being paid a reasonable premium over the market price of the shares—around HK\$3.60 before the announcement of the HK\$7.10-a-share sale. The bank said this price was fair to both buyer and seller.

However, the market's view is reflected in its own having bid Hutchison shares above the bank's price. Its opinion is coloured by land prices and by the fact that Cheung Kong was acquiring control, not just making an investment.

Share prices of property-rich companies have tended to lag behind property prices, as reflected in Government land auctions. This made it attractive for Cheung Kong to try for a hand-rich company rather than buy land on the open market.

Mr. Wyllie attributed the poor Hutchison rating to uncertainty in the market as to when, and how, the bank would dispose of its Hutchison stake. The bank had always said that it did not intend its investment to be permanent, but had given no further clues to its intentions.

It is widely believed that Cheung Kong will try to increase its stake, to make its control impregnable. Hutchison's asset statement will tend to make further purchases the more expensive for Cheung Kong, but under the Hong Kong Takeover Code there is no specific point at which an offer to all shareholders becomes mandatory. On the other hand, Hutchison could only increase its outstanding equity by 10 per cent without seeking shareholder approval. That would be insufficient seriously to dilute Cheung Kong's stake.

The asset statement helped to push Hutchison's price up 80 cents to HK\$ 7.70 at the close after touching HK\$ 8.20. Cheung Kong closed up 20 cents to HK\$ 17.60, but the rest of the market encountered profit-taking after Wednesday's 25.5 point jump to 668.29 on the Hong Kong Index.

Underlying the strength of share prices, however, is a built-in imbalance in the supply of stocks compared with the amount of funds which has poured into the market, essentially for a lack of other investment opportunities.

While individual investors have had a net outflow of funds from the stock market, cash flow life insurance, other financial institutions, and corporations have been pouring funds in for the past two-and-a-half years.

Foreigners have returned since early August as big net buyers for the first time in more than four years. In August net foreign buying of shares totalled about Y15bn (\$68.2m).

The second week of September saw the heaviest buying by foreigners since March 1975, bringing the half-month net buying to about Y11.3bn, according to securities house estimates.

Foreign investors, including some institutional investors buying their first Japanese shares, appear to be motivated by two factors. First, Japanese business has gained a solid reputation for coping with fast changing and difficult economic environments. Secondly, there is a feeling that the Yen runs little risk of further depreciation after steady declines since late 1977.

Foreigners have been ignoring past disadvantages of buying Japanese shares, including low yields and very high price/earnings ratios.

The foreign buying, mainly of blue chip stocks such as light electronics and makers of such precision machines as cameras tends to act as a rallying call for the stock dealers who need little excuse to produce surges of buying and selling. This is particularly true now because the major securities houses are gearing up for (or have launched) beginning of the term sales spree.

The present business accounting period ends September 30, but stocks went ex-dividend for the term earlier this week. This prompted Nomura Securities to unleash its huge sales force on

MITSUI GROUP FINANCE

Challenge to the old order

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

MITSUI BANK, the key financial institution in the Mitsui group, could lose its position as the main financing source of Mitsui and Company if the Japanese Government insists on the strict enforcement of a guideline limiting the loan exposure of Japanese banks to individual clients.

Mitsui Bank ranks seventh among Japan's City banks, while Mitsui and Company holds second position among the Japanese trading concerns—and first in terms of overseas investments.

Mitsui and Company has traditionally been a heavy borrower from Mitsui Bank—as well as from other institutions, such as Fuji Bank and the Bank of Tokyo—but it could be forced to repay Y85bn (\$355m) of loans to its sister company by the end of March next year if current negotiations remain in force. The rules in question stipulate that, from March 31 onwards, no Japanese City bank should lend more than 20 per cent of

its "owned capital" to a single borrower.

On March 31, 1978, the last date for which figures are available, Mitsui Bank had a total of Y149bn of loans outstanding to Mitsui and Co., while the Bank of Tokyo had outstanding loans of Y127bn. Enforcement of the Finance Ministry ceiling would reduce the Mitsui Bank exposure to Y85bn, whereas Bank of Tokyo lending would be reduced by only Y14bn to Y113bn.

This would leave the Bank of Tokyo lending to Mitsui and Co. standing to be reduced by a much smaller amount than those from Mitsui Bank is that the Bank of Tokyo is legally classified as a foreign-exchange bank—a position which allows it to lend up to 40 per cent of

EXCESS BORROWINGS OF MAJOR COMPANIES AT MARCH 31 1979

	Yen bn
Mitsui and Co.	144
Mitsubishi Corp	71
Marubeni Corp	60
C. Itoh and Co.	55
Toyo Menka	35
Tokyo Electric	140
Nippon Steel	45
Nippon Kosen	40

its owned capital to individual borrowers.

A senior official of Mitsui and Co. said yesterday afternoon that "whatever happens" there can be no question of Mitsui Bank relinquishing its position as "main bank" to Mitsui and Co. This term implies a special relationship, which normally includes the provision of a wide range of planning and consultancy services, as well as financial support. Mitsui and Co. apparently has no intention of allowing any other bank to

take over these aspects of Mitsui Bank's role. This does not alter the fact that strict adherence to finance Ministry "guidance" could push Mitsui Bank into a secondary position in a strictly financial sense.

The Finance Ministry announced its intention of limiting City Bank exposure to individual corporate borrowers in December, 1974, at a time when Japan's major business groups were being criticised as "anti-social." The regulation, which technically takes the form of "guidance" from the director general of the Ministry's Banking Bureau, was intended to prevent the major groups from becoming too highly centralised around individual banks and around indulging in excessive take-over activity.

Expansionism by the major groups is less of an issue today than in 1975, but the Finance Ministry has so far stuck firmly to the implementing of its original rules, except in the case of one company—Tokyo

Electric Power. Tokyo Electric had a total of Y140bn of "excess" borrowings outstanding from City banks at the end of March and is being granted special consideration in the application of borrowing guidelines.

Mr. Masahiko Seki, the president of Mitsui Bank, who also happens to be the current president of the association of Japanese Bankers' Federation, said recently that he had asked the Ministry of Finance to consider exempting trading companies from the MOF guidelines. The MOF has yet to agree to this request but some bankers claim to be able to detect "some signs of flexibility" in its position. Because of hopes that the MOF may relent, Mitsui and Co. is not yet taking steps to repay the total of Y144bn of "excess" borrowing which it will need to write off its books if it is to conform with the MOF guidance by March next year.

Sharp rise in earnings at MAS

BY WONG SUI LONG IN KUALA LUMPUR

MALAYSIAN AIRLINE SYSTEM (MAS), the State-owned carrier, has reported a sharp increase in earnings for the year to March, with after tax operating profit rising by 135 per cent to 40.2m ringgit (US\$18.7m), from 17.1m ringgit the previous year.

The airline earned an extra 6.4m ringgit in foreign exchange gains, but because it is taking the opportunity to write off all deferred charges amounting to 13.4m ringgit, the net profit was 28.2m ringgit.

The earnings are the highest in the airline's seven-year old history, and is impressive considering the fact that MAS was severely affected by an industrial dispute in January-February this year. The dispute arose from a normal pay claim,

but deteriorated into a sharp confrontation between the union and the Government and led to the arrest of 24 unionists.

Domestic flights were grounded for a week during the dispute, while MAS flights to London and Australia were suspended for a month. The dispute cost MAS an estimated 15m ringgit.

Revenue for the year rose by 15 per cent to 481m ringgit. The number of passengers carried rose by 7.2 per cent to 2.84m, while cargo and mail grew by 15 per cent to 40,600 tonnes.

Operating expenditure less significantly, by 9.6 per cent to 400m ringgit, and revenue per employee increased to 67,083 ringgit from 62,706 ringgit. The passenger load factor grew marginally from 68 per cent to 69 per cent.

Raja Mohar, the chairman, said that despite the uncertain world economic outlook and spiralling fuel costs, the airline was "cautiously optimistic" about its prospects. Three new airbuses would join the fleet between October and December while a fourth airbus had been ordered for delivery in 1981.

Flight frequencies to London would be increased, while a profitable route between Seoul and Jeddah, via Kuala Lumpur, was opened this year.

The MAS fleet consists of two DC 10s, three Boeing 707s, nine Boeing 375s, nine Fokker 27s, and four Britten Islanders, serving 36 domestic and 19 international points.

The Airbuses would replace the Boeing 707s which are up for sale at US\$37m each.

Bell Group doubles its profits

BY JAMES FORTH IN SYDNEY

BELL GROUP, the Western Australian transport and investment company headed by the Perth businessman Mr. Robert Holmes a Court, more than doubled earnings in the year to June 30 and plans a three-for-one scrip issue. Earnings jumped from A\$1.9m to A\$4.1m (US\$4.6m), the eighth consecutive record.

Bell Group has been participating in the market contest to acquire shares in Ansett Transport Industries, the transport and airline group. Bell at present has 12.5 per cent, and has announced its intention to lift its stake to 20 per cent.

Turnover rose marginally from A\$71.3m to A\$71.9m. The final dividend is raised from 15 cents a share to 20 cents, lifting the full pay-out to 30 cents. Shares created in the scrip issue will receive a final of 5 cents a share and thereafter rank equally. The directors expect to pay an annual dividend of 10 cents a share on the enlarged capital.

Pioneer Concrete Services, the Australian-based international quarrying and building products group, raised its profits by 21.4 per cent to a record A\$23.8m (US\$26.7m) on a 22 per cent gain in turnover to A\$447m (US\$502m) for the year to June 30, 1979.

At the same time, the company has announced an A\$25m convertible note issue. On Wednesday Pioneer gained virtual

control of the Nabarlek uranium mining project through a market raid on the shares of Kathleen Investments, having spent over A\$15m on the move. It is also in the middle of an A\$50m market operation to purchase 30 per cent of Ampol Petroleum.

The convertible issue is one note for every ten shares held. The notes have a 10-year maturity and can be converted at yearly intervals starting in 1981.

Conversion is one-for-one at \$1.55 each, a 12 per cent premium on the market price of A\$1.65. The interest rate is 10.75 per cent.

Pioneer is holding its dividend at 10 cents on capital increased by a one-for-eight scrip issue. Earnings per share

equalled 25.8 cents, compared with 23.9 cents in 1977-78.

Strong growth in overseas operations, the directors said, accounted for about 60 per cent of the profit increase. Australian growth came from associated companies.

Domestic trading conditions improved in the second-half and continued in the opening months of the current year. Continued improvement in Hong Kong, Israel, the UK and Spain helped the overseas division's result. Italian operations reduced their trading losses.

The group completed its first year of operation in the U.S. with the expected losses associated with start-up costs. Three plans are now operating there with another three to start next year.

Finance costs hold back HK Land

BY OUR HONG KONG CORRESPONDENT

HONGKONG LAND Company announced an 8 per cent increase in after-tax profit for the six months to June to HK\$147.4m (US\$168m). In addition, the group made extraordinary profits of HK\$89.2m.

The interim dividend was unchanged at 14 cents. No forecast for the full year was given, except that earnings would be "satisfactory." In 1978 Hongkong Land made HK\$278.5m.

The latest result may disappoint the market, which has become used to the bigger profit increases from most companies reporting recently, particularly those connected with property. However, most of HK Land's earnings are from rentals not property development. Also its earnings this year are being held back by the high

price—HK\$700m—that it paid for Gammon House, an office block it bought from its sister company, Jardine Matheson last year.

Financing for the purchase was largely through a HK\$600m syndicated loan with an average spread of 1.25 per cent over the Hong Kong prime rate. That is expensive at present, with the prime rate at a record 14.5 per cent and well above Gammon House's rental yield at the purchase price.

WAH KWONG Shipping and Investment raised its profit for the six months to June by 27 per cent to HK\$44.7m (US\$99m). For the whole of 1978 it made HK\$77.6m. The interim dividend is being raised by 1 per cent

THE KYOWA BANK LIMITED

London Branch

US \$10,000,000

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28th September, 1979

TOKYO STOCK EXCHANGE

Foreigners lured by stock boom

BY RICHARD C. HANSON IN TOKYO

THE TOKYO stock market is experiencing another of its remarkable price booms. The rally has lured foreign investors back to Japanese shares in large numbers and at the moment shows little sign of collapsing despite potential economic difficulties.

Yesterday the Nikkei Dow index of 225 stocks soared nearly Y62 to a record Y6,539.71 after a moderate decline on Wednesday. It was the biggest single day gain since May.

The recent performance of Tokyo share prices reflects a great deal of renewed confidence that Japanese business is doing well, and will continue to show healthy results at least into early 1980. Most surveys published recently indicate rather sharp gains in operating profits in the half year ending this month followed by smaller increases in the term ending next March.

The economy as a whole is still growing at an annual pace of over 5 per cent although it is generally expected to slow to perhaps half that pace late this year and into 1980. Despite the adverse impact on commodity prices of the recent oil price increases private demand remains strong led by consumer spending and a recovery in corporate investment in new plant and equipment.

Underlying the strength of share prices, however, is a built-in imbalance in the supply of stocks compared with the amount of funds which has poured into the market, essentially for a lack of other investment opportunities.

While individual investors have had a net outflow of funds from the stock market, cash flow life insurance, other financial institutions, and corporations have been pouring funds in for the past two-and-a-half years.

Foreigners have returned since early August as big net buyers for the first time in more than four years. In August net foreign buying of shares totalled about Y15bn (\$68.2m).

The second week of September saw the heaviest buying by foreigners since March 1975, bringing the half-month net buying to about Y11.3bn, according to securities house estimates.

Foreign investors, including some institutional investors buying their first Japanese shares, appear to be motivated by two

major factors. First, Japanese business has gained a solid reputation for coping with fast changing and difficult economic environments. Secondly, there is a feeling that the Yen runs little risk of further depreciation after steady declines since late 1977.

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The foreign buying, mainly of blue chip stocks such as light electronics and makers of such precision machines as cameras tends to act as a rallying call for the stock dealers who need little excuse to produce surges of buying and selling. This is particularly true now because the major securities houses are gearing up for (or have launched) beginning of the term sales spree.

The present business accounting period ends September 30, but stocks went ex-dividend for the term earlier this week. This prompted Nomura Securities to unleash its huge sales force on

the apparently speculation-prone public in advance of the other big four houses.

The excess demand for Japanese shares will probably continue for the foreseeable future—regardless of setbacks the market may see if OPEC prices are raised again at the end of the year.

The Government's attempts to curb inflation by tightening credit could threaten stock prices if serious slowdowns in economic growth result.

Although monetary authorities may boost the official discount rate (following a steep July increase), such a move would mark a peak in interest rates.

Demand for stocks is solid because the value of new share issues—about Y300bn to Y600bn a year—which pass directly into the hands of investors and not through the market—barely keeps up with net new buying by institutional investors. An indication of the enormous reserves of investment funds is that the value of paid-in capital for listed Japanese companies has risen only 2.8 times since 1963 to Y11,200bn. But the value of assets in the hands of individuals has increased 8.7 times to Y266,000bn—or Y56,000bn more than the nominal value of Japan's GNP last year.

Companies and Markets

Boost for Ghana's cocoa crop

ACCRA—Ghana's mid-season cocoa crop has exceeded all expectations.

Reports from main cocoa growing areas indicate that purchases of the mid-crop will total at least 13,000 tonnes, Mr. Kwame Piamin, chief executive of the Ghana Cocoa Marketing Board said here.

Mr. Piamin said this would be more than 50 per cent higher than the average for the past two seasons.

He expected purchases during the main crop season, starting on October 1, to exceed last year's low figure of 250,000 tonnes.

Mr. Piamin attributed the improved purchasing figures for the mid-crop season, which ended yesterday, to effective policies of the Ivory Coast, a higher producer price now paid to Ghanaian farmers, and good weather.

Mid-crop purchases in the Volta region, which borders Togo, are reported to have gone up from 55 tonnes last season to more than 700 tonnes this year.

Both the Ivory Coast and Togo had benefited from large-scale smuggling of Ghana's cocoa in the past few years. This had cost Ghana more than 50,000 tonnes of cocoa a year.

French protest over fish rules

BY CHRISTOPHER PARKES

ANGRY BRETON fishermen yesterday dumped a lorryload of lobsters and crayfish from Britain into Roscoff harbour, sprayed a shipment of mackerel with diesel oil and temporarily invaded the cross-Channel ferry Cornouailles.

They were protesting at newly-introduced British regulations governing the size of mesh permitted on shrimp boats fishing inside the UK's 200-mile zone.

As the fracas developed, British farmers and meat traders were preparing a plan to ship lamb to France, which could result in similar scenes at other French ports. This would further heighten the growing tensions between the British and French Governments over the Common Market fish and farm policy.

FMC, the biggest meat company in the country is one of several traders believed to be planning to ship loads of lamb to France next week in defiance of a French ban.

Mr. Pierre Mahaignerie, the French Minister of Agriculture, said on Wednesday that he would appeal against the recent European Court ruling that France must scrap its controls

on imports of lamb from the UK.

In the meantime, the current ban would remain in force, he added.

Angered by Mr. Mahaignerie's intransigence, Mr. Richard Butler, president of the National Farmers' Union, yesterday accused the French of trying to impose a small, highly protected luxury market for lamb upon the EEC.

"Until she gets her way in this, France refuses to admit Britain to the Common Market we joined seven years ago."

The French attitude would "shake the faith of the British farmer in the Common Agricultural Policy," he said.

They are bound to see that there is one rule for the UK and another for France."

During the outburst, Mr. Peter Walker, Minister of Agriculture, was closeted at an informal meeting with his EEC counterparts in the Irish capital.

Physical attacks on contentious cargoes have become common place at French frontiers. Last year, pigs coming in from Belgium and Holland were set free on the roads.

Wheat crop estimate lowered

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE INTERNATIONAL Wheat Council has lowered its forecast for 1979-80 world wheat crop to 405m tonnes. This compares with the July estimate of 410m-415m tonnes, and output of 442.5m tonnes.

As a result, carryover stocks in the five major wheat-exporting countries are expected to fall to 48.1m tonnes, against 54m tonnes previously.

The main reason for the fall in world wheat output is a decline in Soviet production. The Soviet Union's estimate for 1979-80 is 15.5m tonnes, down from 17.5m tonnes in 1978-79.

The estimate of maize deliveries for 1979-80 is 5.5m tonnes, compared with 7.68m in 1978-79, according to the cereals office.

The office has raised its estimate for hard wheat deliveries to 316,000 tonnes, up from the previous estimate of 288,000 tonnes.

FRENCH LAMB RULING

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE EUROPEAN Court's decision that the French Government's restrictions on sheep meat imports from the UK are illegal has been welcomed by British sheep farmers.

These restrictions, which can vary from a ban to a 30 per cent reduction in sheep meat imports, have kept French lamb prices at a substantially higher level than those in the UK. They have also resulted in a steady fall of exports directly from the UK into France, which has not been matched by exports to other European countries.

The attraction of the French market is obvious. The present market price is sustained at about 22p a kilo, while that in Britain has fallen from about 21p in early May to 13p last week. There has been a ban on imports into France for the last seven weeks. When the market was open, the duty was as high as 80p a kilo.

But farmers who hope that this ban will open up the French market—and there are quite a few of them—are likely to be disappointed. The general expectation is that the French Government, prodded by militant farmers, will use every means in its power to prevent absolute free trade in sheep meat.

This will be bad news in the UK, because the trade for sheep autumn is very depressed. The prices of breeding ewes and ewe lambs are between 30 and

30 per cent lower than last year, and the returns from older ewes are even lower.

Even fat lambs, now in receipt of a deficiency payment, are making slightly less than they were at the same time last year.

This has particularly affected the fortunes of hill farmers, who rely on sales of cross-bred breeding sheep for a major part of their income, and who suffered seriously last winter from bad weather conditions.

The circumstances have also materially affected many farmers who buy young sheep, keep them for a year and then resell them. They say that the ewes they have sold this autumn have not covered their cost as ewe lambs last year.

The prospects for next year do not look much better. According to the Meat and Livestock Commission (MLC), the supply of mutton and lamb in 1980 could be up to 20,000 tonnes higher than the year, but the price will be lower.

It is obvious that these considerations are apparent to

French farmers, whose sheep systems are in general intensive. The systems are based on housing and concentrate feeding and not on grass, as in Britain. The effects of unloading a further 10,000 or 20,000 tonnes of lamb onto the French market could bring the price there back to UK levels—a price which would put many French farmers out of business.

Because the French market has become increasingly difficult to export to, particularly Belgium and Germany, where no duty is levied. And some of these exports have found their way to France. But growth in these markets is extremely slow. Competition is fierce, particularly from Eastern Europe.

The position is complicated by the importation into the UK of large quantities of New Zealand lamb. French spokesmen insist that any freeing of trade in sheep meat between Britain and France should include some measure of control over New Zealand imports. Otherwise, they say, the British will eat cheap, New Zealand lamb, while exporting their own to France.

This is the reason behind the insistence that there should be a sheep regulation under the Common Market rules to include minimum import prices, intervention buying and so on, all paid for with Community cash.

This is at present ruled out of court by Mr. Peter Walker,

Minister of Agriculture, who has stated that there should be no interference with New Zealand imports, and that any financing of French sheep farmers should be a national responsibility.

He has also suggested that, as Britain immediately repealed a ban on potato imports when ordered to by the Court, that the French should follow suit.

But the two products are not quite comparable. Transport costs effectively act as a bar to potato imports—being from 30 to 50 per cent of the market price—while the costs of shipping lamb to Paris are probably no more than 5 per cent of their final value.

Sheep farming in France is an important industry with a total of 11.5m head, as against 28m in the UK. The sheep are mostly concentrated in the upland areas of Southern and Central France, and successive French Governments have spent large sums helping sheep farmers to modernise their holdings and produce for a specialised market.

This is for a lean meaty lamb with very little fat, selling at a very high price—a luxury and not an everyday food. This is quite different from what the British trade has regarded as fat lamb until now. No doubt the twain could one day meet, but there could be a very long and difficult period before a completely free market is established.

Farm tax claims countered

BY CHRISTOPHER PARKES

THE GREAT majority of owner-occupied farmers in Britain can ensure that their holdings are passed intact to their heirs without the need to sell off land to meet tax bills, according to a study by the Milk Marketing Board.

The findings appear to contradict dramatic claims from agricultural organisations that present tax laws will lead to the dismemberment of farm holdings in general.

"By using the concessions available, a farmer of reasonable management ability should be able to pass intact to his heir a farm of up to 400 hectares," the study says.

Average farm size in England and Wales is 49 hectares, according to latest Government data, and there are 189,000 farmers. The Ministry of Agriculture does not provide statistics which can be directly applied to the Milk Board's theory, but they show that there are only 900

farms of more than 500 hectares in the two countries.

The board's analysis shows, however, that recent rapid increases in land and other asset values have greatly increased the owner-occupiers' potential liability for capital transfer tax.

Investigation of a sample of 183 dairy farms shows that on a farm of about 100 hectares the potential CTT liability has risen from £18,000 in 1975 to £24,000 last year.

Apart from gaining valuable concessions from the Government since 1975, owner-occupiers can also ease their tax liabilities by making personal arrangements.

The bills can be reduced by splitting farms equally between husband and wife. Children can be made partners and assets can be gradually made over to them. Insurance policies can be used to cover taxes, and farmers can convert their holdings to tenancies and let their land to partnerships of which they are

members.

The study stresses that most of the concessions and loopholes are available only to working farmers and not absentee landlords. "This obviously has grave implications for the private land owner and as a consequence the long-term future of the tenant farmer," it adds.

There has been a relatively rapid decline in the proportion of tenanted holdings in Britain from 88 per cent in 1908 to 48 per cent last year.

The report also notes that among the dairy farms studied, profits increased sharply last year. Average profit per hectare on the owner-occupied holdings rose from £77 to £127. Tenants' profits rose from £120 to £138 a hectare.

Tenants and Owner-occupiers: Changes in Financial Fortune 1975-78, Milk Marketing Board, Farm Management Services Information Unit, 39, Church Lane, Reading, Berks, RG2 7AW.

Pressure on sugar quotas attacked

GEORGETOWN—Guyana has complained bitterly about difficulties in holding on to sugar quotas in Europe under the Lomé Convention.

Mr. Ian McDonald, the country's chief sugar marketing expert, told technologists of the Sugar Association of the Caribbean (SAC) that the sanctity of the quota had to be fought for from day to day.

"Sometimes one feels like a man running backwards and forwards along an endangered path, patching and patching, as the best interests of Guyana are threatened by the European pressure groups," he said.

He said the slightest shortfall could lead to immediate suspension of quotas.

Oak wilt compromise emerging

BY A SPECIAL CORRESPONDENT

AFTER THE latest round of talks on oak wilt disease at Brussels it now seems unlikely that the EEC will concede the original French request for a complete ban on imports of American oak.

The French began their campaign against U.S. oak imports last February. Since then the position has been under review by the EEC plant health committee, which first set itself the target of producing new regulations by September 1. But it is now apparent that the end of this year is the earliest date by which any new regulations can be agreed.

Oak wilt is a fungus disease of oak trees, which occurs in about 21 states in a central and

eastern band of the U.S. The symptoms are similar to Dutch elm disease; the foliage wilts and turns brown and may then be shed from the ends of the branches in the upper crown of the tree. Unlike the present strain of Dutch elm disease, oak wilt is not particularly virulent and its spread is slow. It has been known and recognized in the U.S. since 1942, but large areas within the affected states are still clear.

Britain imports very few American oak logs. But there are considerable imports of sawn oak lumber, mostly used to make barrels for the Scotch whisky distillers. There is no acceptable substitute. Britain has already erected barriers

against the risk of importing the disease. The Importation of Wood and Bark (Prohibition) Order 1977 lays down that all bark must be removed in the country of origin. The moisture content of all sawn timber must be below 20 per cent. Fully sawn or square edged material falls outside the regulation because the layer of wood immediately below the bark is removed. This is thought to make the risk of infection small.

During the months of negotiation in Brussels there seems to have been some modification of the positions that were first drawn up. Once the implications of an import ban for the whisky distilling industry had

been fully considered, the UK Timber Growers Organisation appeared to be willing to agree that Britain's present stringent regulations were a sufficient safeguard. The French have become far less vociferous for a complete ban.

At first, the EEC plant health committee appeared to be leaning towards the application of regulations broadly in line with those already in force in Britain.

But this was not acceptable to the American timber industry, which imports a large number of oak logs from America for its big veneer cutting trade. It maintained that without bark the logs would deteriorate during transport.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Sharply higher on the London Metal Exchange as Comex went limit-up for the fourth successive day. Forward metal opened at £1,074 and lifted to the day's high of £1,116 before settling back on heavy hedge selling, profit-taking and trade selling to close the late lark at £1,085. Turnover: 51,950 tonnes.

COPPER—Official + or - unofficial + or -

Wirebars 1100-1105 1080-1100 +40

Cash 1100-1105 1080-1100 +40

Settling 1101 +80

Cathodes 1085-1090 +30

Cash 1085-1090 +30

Settling 1075-1080 +30

Settling 1070 +10

U.S. Smt. 91-92

Amalgamated Metal Trading reported that in the morning cash wirebars traded at 1072 1/2, 1073 1/2, 1074 1/2, 1075 1/2, 1076 1/2, 1077 1/2, 1078 1/2, 1079 1/2, 1080 1/2, 1081 1/2, 1082 1/2, 1083 1/2, 1084 1/2, 1085 1/2, 1086 1/2, 1087 1/2, 1088 1/2, 1089 1/2, 1090 1/2, 1091 1/2, 1092 1/2, 1093 1/2, 1094 1/2, 1095 1/2, 1096 1/2, 1097 1/2, 1098 1/2, 1099 1/2, 1100 1/2, 1101 1/2, 1102 1/2, 1103 1/2, 1104 1/2, 1105 1/2, 1106 1/2, 1107 1/2, 1108 1/2, 1109 1/2, 1110 1/2, 1111 1/2, 1112 1/2, 1113 1/2, 1114 1/2, 1115 1/2, 1116 1/2, 1117 1/2, 1118 1/2, 1119 1/2, 1120 1/2, 1121 1/2, 1122 1/2, 1123 1/2, 1124 1/2, 1125 1/2, 1126 1/2, 1127 1/2, 1128 1/2, 1129 1/2, 1130 1/2, 1131 1/2, 1132 1/2, 1133 1/2, 1134 1/2, 1135 1/2, 1136 1/2, 1137 1/2, 1138 1/2, 1139 1/2, 1140 1/2, 1141 1/2, 1142 1/2, 1143 1/2, 1144 1/2, 1145 1/2, 1146 1/2, 1147 1/2, 1148 1/2, 1149 1/2, 1150 1/2, 1151 1/2, 1152 1/2, 1153 1/2, 1154 1/2, 1155 1/2, 1156 1/2, 1157 1/2, 1158 1/2, 1159 1/2, 1160 1/2, 1161 1/2, 1162 1/2, 1163 1/2, 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ETL 

The British computer systems and software company

Telephone Hemel Hempstead (0442) 3272

FT SHARE INFORMATION SERVICE

FOREIGN BONDS & RAILS

1979 High	Low	Stock	Price	%	Div. %	Yield
35	45	100	100	100	100	100
45	55	100	100	100	100	100
55	65	100	100	100	100	100
65	75	100	100	100	100	100
75	85	100	100	100	100	100
85	95	100	100	100	100	100
95	105	100	100	100	100	100
105	115	100	100	100	100	100
115	125	100	100	100	100	100
125	135	100	100	100	100	100
135	145	100	100	100	100	100
145	155	100	100	100	100	100
155	165	100	100	100	100	100
165	175	100	100	100	100	100
175	185	100	100	100	100	100
185	195	100	100	100	100	100
195	205	100	100	100	100	100
205	215	100	100	100	100	100
215	225	100	100	100	100	100
225	235	100	100	100	100	100
235	245	100	100	100	100	100
245	255	100	100	100	100	100
255	265	100	100	100	100	100
265	275	100	100	100	100	100
275	285	100	100	100	100	100
285	295	100	100	100	100	100
295	305	100	100	100	100	100
305	315	100	100	100	100	100
315	325	100	100	100	100	100
325	335	100	100	100	100	100
335	345	100	100	100	100	100
345	355	100	100	100	100	100
355	365	100	100	100	100	100
365	375	100	100	100	100	100
375	385	100	100	100	100	100
385	395	100	100	100	100	100
395	405	100	100	100	100	100
405	415	100	100	100	100	100
415	425	100	100	100	100	100
425	435	100	100	100	100	100
435	445	100	100	100	100	100
445	455	100	100	100	100	100
455	465	100	100	100	100	100
465	475	100	100	100	100	100
475	485	100	100	100	100	100
485	495	100	100	100	100	100
495	505	100	100	100	100	100
505	515	100	100	100	100	100
515	525	100	100	100	100	100
525	535	100	100	100	100	100
535	545	100	100	100	100	100
545	555	100	100	100	100	100
555	565	100	100	100	100	100
565	575	100	100	100	100	100
575	585	100	100	100	100	100
585	595	100	100	100	100	100
595	605	100	100	100	100	100
605	615	100	100	100	100	100
615	625	100	100	100	100	100
625	635	100	100	100	100	100
635	645	100	100	100	100	100
645	655	100	100	100	100	100
655	665	100	100	100	100	100
665	675	100	100	100	100	100
675	685	100	100	100	100	100
685	695	100	100	100	100	100
695	705	100	100	100	100	100
705	715	100	100	100	100	100
715	725	100	100	100	100	100
725	735	100	100	100	100	100
735	745	100	100	100	100	100
745	755	100	100	100	100	100
755	765	100	100	100	100	100
765	775	100	100	100	100	100
775	785	100	100	100	100	100
785	795	100	100	100	100	100
795	805	100	100	100	100	100
805	815	100	100	100	100	100
815	825	100	100	100	100	100
825	835	100	100	100	100	100
835	845	100	100	100	100	100
845	855	100	100	100	100	100
855	865	100	100	100	100	100
865	875	100	100	100	100	100
875	885	100	100	100	100	100
885	895	100	100	100	100	100
895	905	100	100	100	100	100
905	915	100	100	100	100	100
915	925	100	100	100	100	100
925	935	100	100	100	100	100
935	945	100	100	100	100	100
945	955	100	100	100	100	100
955	965	100	100	100	100	100
965	975	100	100	100	100	100
975	985	100	100	100	100	100
985	995	100	100	100	100	100
995	1005	100	100	100	100	100

AMERICANS

1979 High	Low	Stock	Price	%	Div. %	Yield
11	12	100	100	100	100	100
12	13	100	100	100	100	100
13	14	100	100	100	100	100
14	15	100	100	100	100	100
15	16	100	100	100	100	100
16	17	100	100	100	100	100
17	18	100	100	100	100	100
18	19	100	100	100	100	100
19	20	100	100	100	100	100
20	21	100	100	100	100	100
21	22	100	100	100	100	100
22	23	100	100	100	100	100
23	24	100	100	100	100	100
24	25	100	100	100	100	100
25	26	100	100	100	100	100
26	27	100	100	100	100	100
27	28	100	100	100	100	100
28	29	100	100	100	100	100
29	30	100	100	100	100	100
30	31	100	100	100	100	100
31	32	100	100	100	100	100
32	33	100	100	100	100	100
33	34	100	100	100	100	100
34	35	100	100	100	100	100
35	36	100	100	100	100	100
36	37	100	100	100	100	100
37	38	100	100	100	100	100
38	39	100	100	100	100	100
39	40	100	100	100	100	100
40	41	100	100	100	100	100
41	42	100	100	100	100	100
42	43	100	100	100	100	100
43	44	100	100	100	100	100
44	45	100	100	100	100	100
45	46	100	100	100	100	100
46	47	100	100	100	100	100
47	48	100	100	100	100	100
48	49	100	100	100	100	100
49	50	100	100	100	100	100
50	51	100	100	100	100	100
51	52	100	100	100	100	100
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57	58	100	100	100	100	100
58	59	100	100	100	100	100
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61	62	100	100	100	100	100
62	63	100	100	100	100	100
63	64	100	100	100	100	100
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65	66	100	100	100	100	100
66	67	100	100	100	100	100
67	68	100	100	100	100	100
68	69	100	100	100	100	100
69	70	100	100	100	100	100
70	71	100	100	100	100	100
71	72	100	100	100	100	100
72	73	100	100	100	100	100
73	74	100	100	100	100	100
74	75	100	100	100	100	100
75	76	100	100	100	100	100
76	77	100	100	100	100	100
77	78	100	100	100	100	100
78	79	100	100	100	100	100
79	80	100	100	100	100	100
80	81	100	100	100	100	100
81	82	100	100	100	100	100
82	83	100	100	100	100	100
83	84	100	100	100	100	100
84	85	100	100	100	100	100
85	86	100	100	100	100	100
86	87	100	100	100	100	100
87	88	100	100	100	100	100
88	89	100	100	100	100	100
89	90	100	100	100	100	100
90	91	100	100	100	100	100
91	92	100	100	100	100	100
92	93	100	100	100	100	100
93	94	100	100	100	100	100
94	95	100	100	100	100	100
95	96	100	100	100	100	100
96	97	100	100	100	100	100
97	98	100	100	100	100	100
98	99	100	100	100	100	100
99	100	100	100	100	100	100

BANKS & HP—Continued

Low	Stock	Price	%	Div.	Yield
19	Goode Dist Mfg. Co.	25	100	0.25	1.00
20	Harford	125	100	0.25	1.00
21	Guilford Pumps Inc.	25	100	0.25	1.00
22	Hampshire	340	100	0.25	1.00
23	Hartford	75	100	0.25	1.00
24	H. Warrick	75	100	0.25	1.00
25	Hong Shing	32.50	100	0.25	1.00
26	Hotel Termini	125	100	0.25	1.00
27	H. Warrick	125	100	0.25	1.00
28	Kemper Industrial	75	100	0.25	1.00
29	Kerr & Sons	75	100	0.25	1.00
30	Kerr & Sons	75	100	0.25	1.00
31	Kerr & Sons	75	100	0.25	1.00
32	Kerr & Sons	75	100	0.25	1.00
33	Kerr & Sons	75	100	0.25	1.00
34	Kerr & Sons	75	100	0.25	1.00
35	Kerr & Sons	75	100	0.25	1.00
36	Kerr & Sons	75	100	0.25	1.00
37	Kerr & Sons	75	100	0.25	1.00
38	Kerr & Sons	75	100	0.25	1.00
39	Kerr & Sons	75	100	0.25	1.00
40	Kerr & Sons	75	100	0.25	1.00
41	Kerr & Sons	75	100	0.25	1.00
42	Kerr & Sons	75	100	0.25	1.00
43	Kerr & Sons	75	100	0.25	1.00
44	Kerr & Sons	75	100	0.25	1.00
45	Kerr & Sons	75	100	0.25	1.00
46	Kerr & Sons	75	100	0.25	1.00
47	Kerr & Sons	75	100	0.25	1.00
48	Kerr & Sons	75	100	0.25	1.00
49	Kerr & Sons	75	100	0.25	1.00
50	Kerr & Sons	75	100	0.25	1.00
51	Kerr & Sons	75	100	0.25	1.00
52	Kerr & Sons	75	100	0.25	1.00
53	Kerr & Sons	75	100	0.25	1.00
54	Kerr & Sons	75	100	0.25	1.00
55	Kerr & Sons	75	100	0.25	1.00
56	Kerr & Sons	75	100	0.25	1.00
57	Kerr & Sons	75	100	0.25	1.00
58	Kerr & Sons	75	100	0.25	1.00
59	Kerr & Sons	75	100	0.25	1.00
60	Kerr & Sons	75	100	0.25	1.00
61	Kerr & Sons	75	100	0.25	1.00
62	Kerr & Sons	75	100	0.25	1.00
63	Kerr & Sons	75	100	0.25	1.00
64	Kerr & Sons	75	100	0.25	1.00
65	Kerr & Sons	75	100	0.25	1.00
66	Kerr & Sons	75	100	0.25	1.00
67	Kerr & Sons	75	100	0.25	1.00
68	Kerr & Sons	75	100	0.25	1.00
69	Kerr & Sons	75	100	0.25	1.00
70	Kerr & Sons	75	100	0.25	1.00
71	Kerr & Sons	75	100	0.25	1.00
72	Kerr & Sons	75	100	0.25	1.00
73	Kerr & Sons	75	100	0.25	1.00
74	Kerr & Sons	75	100	0.25	1.00
75	Kerr & Sons	75	100	0.25	1.00
76	Kerr & Sons	75	100	0.25	1.00
77	Kerr & Sons	75	100	0.25	1.00
78	Kerr & Sons	75	100	0.25	1.00
79	Kerr & Sons	75	100	0.25	1.00
80	Kerr & Sons	75	100	0.25	1.00
81	Kerr & Sons	75	100	0.25	1.00
82	Kerr & Sons	75	100	0.25	1.00
83	Kerr & Sons	75	100	0.25	1.00
84	Kerr & Sons	75	100	0.25	1.00
85	Kerr & Sons	75	100	0.25	1.00
86	Kerr & Sons	75	100	0.25	1.00
87	Kerr & Sons	75	100	0.25	1.00
88	Kerr & Sons	75	100	0.25	1.00
89	Kerr & Sons	75	100	0.25	1.00
90	Kerr & Sons	75	100	0.25	1.00
91	Kerr & Sons	75	100	0.25	1.00
92	Kerr & Sons	75	100	0.25	1.00
93	Kerr & Sons	75	100	0.25	1.00
94	Kerr & Sons	75	100	0.25	1.00
95	Kerr & Sons	75	100	0.25	1.00
96	Kerr & Sons	75	100	0.25	1.00
97	Kerr & Sons	75	100	0.25	1.00
98	Kerr & Sons	75	100	0.25	1.00
99	Kerr & Sons	75	100	0.25	1.00
100	Kerr & Sons	75	100	0.25	1.00

FINANCE, LAND—Continued**MINES—Continued**
AUSTRALIAN

TINS		TINS	
30	23	Amal, Nigeria	281
435	265	Arabia, Hissn SMI	0300
120	100	Berak Tin	1.3
140	125	Berak Tin SMI	0.5
160	145	Berak Tin SMI	0.85
180	165	Gold & Base 12 1/2	8.71
200	185	Gold & Base 12 1/2	14.1
220	205	Gold & Base 12 1/2	14.8
240	225	Gold & Base 12 1/2	12.5
260	245	Gold & Base 12 1/2	14.8
280	265	Gold & Base 12 1/2	14.8
300	285	Gold & Base 12 1/2	14.8
320	305	Gold & Base 12 1/2	14.8
340	325	Gold & Base 12 1/2	14.8
360	345	Gold & Base 12 1/2	14.8
380	365	Gold & Base 12 1/2	14.8
400	385	Gold & Base 12 1/2	14.8
420	405	Gold & Base 12 1/2	14.8
440	425	Gold & Base 12 1/2	14.8
460	445	Gold & Base 12 1/2	14.8
480	465	Gold & Base 12 1/2	14.8
500	485	Gold & Base 12 1/2	14.8
520	505	Gold & Base 12 1/2	14.8
540	525	Gold & Base 12 1/2	14.8
560	545	Gold & Base 12 1/2	14.8
580	565	Gold & Base 12 1/2	14.8
600	585	Gold & Base 12 1/2	14.8
620	605	Gold & Base 12 1/2	14.8
640	625	Gold & Base 12 1/2	14.8
660	645	Gold & Base 12 1/2	14.8
680	665	Gold & Base 12 1/2	14.8
700	685	Gold & Base 12 1/2	14.8
720	705	Gold & Base 12 1/2	14.8
740	725	Gold & Base 12 1/2	14.8
760	745	Gold & Base 12 1/2	14.8
780	765	Gold & Base 12 1/2	14.8
800	785	Gold & Base 12 1/2	14.8
820	805	Gold & Base 12 1/2	14.8
840	825	Gold & Base 12 1/2	14.8
860	845	Gold & Base 12 1/2	14.8
880	865	Gold & Base 12 1/2	14.8
900	885	Gold & Base 12 1/2	14.8
920	905	Gold & Base 12 1/2	14.8
940	925	Gold & Base 12 1/2	14.8
960	945	Gold & Base 12 1/2	14.8
980	965	Gold & Base 12 1/2	14.8
1000	985	Gold & Base 12 1/2	14.8

COPPER									
120	56	Messina	RO.50	120	+4	-	-	-	-
MISCELLANEOUS									
81	54	Barmin		82	-2	-	-	-	-
157	10	Burma Mines 175		158	-	-	-	-	-
247	178	Conc. Murch. 10c		247	+7	2030c	-	-	-
340	226	Northwest CSI		325	-	-	-	-	-
462	228	R. 12		384	+9	211.5	3.4	-	-
56	18	Robert Mines		56	-	-	-	-	-
850	525	Sabine Ind. CSI		850	-13	-	-	-	-
850	525	Tara Extn. CSI		850	-13	-	-	-	-

GOLDS EX-5 PREMIUM									
London notations for selected South African gold mining shares in U.S. dollars									
Currency including U.S. dollar premium, dollar premium. These prices are available only to non-U.S. residents.									
529.00	110.00	Barrick R1	533.00	+1.00	1020.00	1.70	10.00	1.00	1.00
529.00	110.00	East Drie R1	533.00	+1.00	1015.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R1	533.00	+1.00	1010.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R2	533.00	+1.00	1005.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R3	533.00	+1.00	1000.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R4	533.00	+1.00	995.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R5	533.00	+1.00	990.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R6	533.00	+1.00	985.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R7	533.00	+1.00	980.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R8	533.00	+1.00	975.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R9	533.00	+1.00	970.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R10	533.00	+1.00	965.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R11	533.00	+1.00	960.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R12	533.00	+1.00	955.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R13	533.00	+1.00	950.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R14	533.00	+1.00	945.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R15	533.00	+1.00	940.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R16	533.00	+1.00	935.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R17	533.00	+1.00	930.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R18	533.00	+1.00	925.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R19	533.00	+1.00	920.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R20	533.00	+1.00	915.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R21	533.00	+1.00	910.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R22	533.00	+1.00	905.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R23	533.00	+1.00	900.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R24	533.00	+1.00	895.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R25	533.00	+1.00	890.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R26	533.00	+1.00	885.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R27	533.00	+1.00	880.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R28	533.00	+1.00	875.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R29	533.00	+1.00	870.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R30	533.00	+1.00	865.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R31	533.00	+1.00	860.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R32	533.00	+1.00	855.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R33	533.00	+1.00	850.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R34	533.00	+1.00	845.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R35	533.00	+1.00	840.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R36	533.00	+1.00	835.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R37	533.00	+1.00	830.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R38	533.00	+1.00	825.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R39	533.00	+1.00	820.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R40	533.00	+1.00	815.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R41	533.00	+1.00	810.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R42	533.00	+1.00	805.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R43	533.00	+1.00	800.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R44	533.00	+1.00	795.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R45	533.00	+1.00	790.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R46	533.00	+1.00	785.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R47	533.00	+1.00	780.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R48	533.00	+1.00	775.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R49	533.00	+1.00	770.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R50	533.00	+1.00	765.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R51	533.00	+1.00	760.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R52	533.00	+1.00	755.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R53	533.00	+1.00	750.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R54	533.00	+1.00	745.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R55	533.00	+1.00	740.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R56	533.00	+1.00	735.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R57	533.00	+1.00	730.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R58	533.00	+1.00	725.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R59	533.00	+1.00	720.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R60	533.00	+1.00	715.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R61	533.00	+1.00	710.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R62	533.00	+1.00	705.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R63	533.00	+1.00	700.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R64	533.00	+1.00	695.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R65	533.00	+1.00	690.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R66	533.00	+1.00	685.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R67	533.00	+1.00	680.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R68	533.00	+1.00	675.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R69	533.00	+1.00	670.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R70	533.00	+1.00	665.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R71	533.00	+1.00	660.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R72	533.00	+1.00	655.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R73	533.00	+1.00	650.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R74	533.00	+1.00	645.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R75	533.00	+1.00	640.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R76	533.00	+1.00	635.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R77	533.00	+1.00	630.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R78	533.00	+1.00	625.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R79	533.00	+1.00	620.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R80	533.00	+1.00	615.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R81	533.00	+1.00	610.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R82	533.00	+1.00	605.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R83	533.00	+1.00	600.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R84	533.00	+1.00	595.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R85	533.00	+1.00	590.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R86	533.00	+1.00	585.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R87	533.00	+1.00	580.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R88	533.00	+1.00	575.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R89	533.00	+1.00	570.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R90	533.00	+1.00	565.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R91	533.00	+1.00	560.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R92	533.00	+1.00	555.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R93	533.00	+1.00	550.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R94	533.00	+1.00	545.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R95	533.00	+1.00	540.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R96	533.00	+1.00	535.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R97	533.00	+1.00	530.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R98	533.00	+1.00	525.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R99	533.00	+1.00	520.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R100	533.00	+1.00	515.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R101	533.00	+1.00	510.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R102	533.00	+1.00	505.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R103	533.00	+1.00	500.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R104	533.00	+1.00	495.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R105	533.00	+1.00	490.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R106	533.00	+1.00	485.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R107	533.00	+1.00	480.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R108	533.00	+1.00	475.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R109	533.00	+1.00	470.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R110	533.00	+1.00	465.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R111	533.00	+1.00	460.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R112	533.00	+1.00	455.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R113	533.00	+1.00	450.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R114	533.00	+1.00	445.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R115	533.00	+1.00	440.00	1.70	10.00	1.00	1.00
529.00	110.00	East Rand R116	533.00	+1.00	435.00	1.70	10.00	1.00	1.00
529.00									

NOTES

Unusual observations were removed, and the data were analyzed using a two-way ANOVA with sex and age as independent variables. The dependent variable was the number of eggs per female. The data were analyzed using a two-way ANOVA with sex and age as independent variables. The dependent variable was the number of eggs per female. The data were analyzed using a two-way ANOVA with sex and age as independent variables. The dependent variable was the number of eggs per female.

- **“Tax” Stock**

High and Low marks of the two groups are shown in the following table for cash.

Item	High mark	Low mark
Interest rates increased or reduced	100	100
Interest rates reduced, raised or deferred	100	100

†† Tax-free to non-residents on application.
 ‡ Figures or report awaited.
 ¶ Unlisted security.
 @ Price at time of suspension.

† Indicated dividend after pending scrip and/or rights issue; con-
 relates to previous dividends or forecasts.
 ‡ Merger bid or reorganization in progress.
 § Not comparable.

Same interim reduced final and/or reduced earnings indicated.
Forecast dividend; cover on earnings updated by latest interim statement.
Cover allows for conversion of shares not now ranking for dividend.

* Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of

i. Flat yield. j. Assumed dividend and yield. k. Assumed dividend and yield after scrip issue. l. Payment from capital sources. m. Kenya interim higher than previous total. n. Rights issue pending.

[illegible]

based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other offering

estimates for 1974-80. G Assumed dividends and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on

prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. Figures assumed. Z Dividend total to date. 54 Yield based on

Abbreviations: ml ex dividend; ns ex scrip issue; w ex rights; ns ex ml ex capital distribution.

"Recent Issues" and "Rights" Page 32

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of 55p per annum for each security.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Bayview 11th. 21p	27	SHAW (Wm)	173
Berkam	20	IRISH	
Big Wtr. Est. 50p	420	Conv. 9% '80/82	286 1/2
Clover Croft	28	Nat. 9 1/2% 84/89	273 1/2
Craig & Rose C	57 1/2	St. 1 1/2% 87/88	282

Dyson (R. A.) A.	27	ALLIANCE GAS	70
Ellis & McHoy	160	Arnett	330
File Forge	50	Carroll (P. J.)	53
Finlay Plog. 5p	192	Clomalkin	82

Grang Ship. £1	445	+15	Concrete Prods.	85
Higgins Brew.	78	+5	Hexion (Higgs.)	77
Holt (Jrs) 25p	255ml	Ins. Corp.	190
J.O.M. Stm. £1	105	+3	Irish Ropes	75
Reardon (C. H.)	320			

Peel Mills	39	T.M.G.	153
Sheff. Refreshment	105	Unicare	85

OPTIONS

3-month Call Rates

Industrials		I.C.I.	28	Tebe Invest.	27
A. Brew.	8	"Imps"	8	Unilever	40
BOD Int.	6	I.C.I.	95	U.D.Y.	4

S.P.	5	Inveresk	5	Unt. Drapery	10
Babcock	12	KCA	31	Vickers	18
Barclays Bank	30	Leithside	17	Woolworths	61
Beecham	13	Legal & Gen.	14		
Blue Circle	25	Lex Service	11		

Lois	17	Lloyds Bank	24	Brit. Land	7
Bowaters	16	"Lois"	22	Cap. Counties	9
S.A.T.	25	London Brick	6	Land Serv.	25
Brown (J.)	7 1/2	Lorain	6	NEPC	11

Gerard A.	25	Lucas Bros.	20	Peachey	13
Cardburys	51 1/2	"Mama"	75	Samuel Prop.	14
Courtaulds	8	Miles & Son	10	Town & City	2
Debenhams	8	Norland Bank	32		
Dixons	23	N.F.	5		

Deniro	6	Nat.-West. Bank	28	Ulls
Eagle Star	14	P & O Ltd.	10	Brit. Petroleum
E.M.I.	8	Pirelli	19	Burnish Oil
Gen. Accident	21	Rural Elect	22	Charterhall

Gen. Electric	24	R.H.M.	4	Premier	4
Glenn	40	Rank Org.	16	Shell	30
Grand Met.	13	Reed Ind.	17	Ultramar	22
U.S. 'A'	30	Scars	51		

Shillings	42	Wines	
Tenno	7	Charter Cons.	16
Thorn	35	Cons. Gold	18
Trust Houses	14	Rio T. Zinc	22

A selection of Options traded is given on the
...London Stock Exchange Report page

[illegible]



Sealink fare cut may lead to price war

BY LYNTON McLEAN

BRITISH RAIL and its French counterpart, SNCF, joint operators of Sealink ferries, are to reduce fares on cross-Channel services. The move is expected to lead to a fare war among ferry operators on the busiest stretch of the English Channel.

Competition on the short crossings from Dover and Folkestone to Calais and Boulogne is already fierce.

A price war could involve Hovorloyd, which operates hovercraft between Ramsgate and Calais, P and O Normandy Ferries, operating between Dover and Boulogne, British Rail Seaport hovercraft between Dover and Calais, and Boulogne and European Ferries, which operates Tonsend-Thorsen ferries between Dover and Calais.

There is already overcapacity on the routes; demand for passenger and car fares is almost static; and hovercraft are threatening the operations of the conventional ferry companies by taking a growing

share of the market. Six more ferries are expected to enter service on the Channel next year, three with European Ferries.

The first round of price cuts, announced yesterday by Sealink UK, the British Rail ferry company, which has a pooling arrangement with the SNCF, Sealink ferries, will come on October 1.

Sealink UK plans to cut the £60.40 fare for a car and two adults on the Folkestone to Boulogne route by £10. The same cut will be made on the £69.90 car and two adults fare from Newhaven to Dieppe.

Sealink said yesterday that, as part of its more aggressive marketing and fares policy, it was to break away from the revenue pooling agreement with European Ferries, after dissatisfaction with that company's marketing approach.

European Ferries, however, claimed that it had taken the initiative by breaking with Sealink.

Sealink plans to increase its share of the car traffic on the short routes from last year's 34 per cent to at least 50 per cent by the end of next year.

Part of the plan is based on the assumption that more competitive fares will raise the number of cars using the ferries by a quarter.

European Ferries has had an agreement to pool sailings and revenue on the Dover-Calais route for 14 years, with 66 per cent going to British Rail or Sealink and the balance to European Ferries.

The two operators were investigated by the Monopolies Commission in a report on cross-Channel ferry services in April 1974. The commission said: "The monopoly positions of BR and European Ferries do not operate against the public interest." Nevertheless, the commission said it would have wanted the pooling agreement to be ended, had it not been for the "international character" of the agreement, which also involved SNCF.



Mrs. Pamela Mason: became involved after seeing report.

Illingworth Morris fears £1m loss

BY JOHN MOORE

ILLINGWORTH MORRIS, the Yorkshire textile group which makes men's overcoats under the "Crombie" label, may have losses of up to £1m for the first half of its current year.

The disclosure was made after a stormy annual meeting of the company by Mrs. Pamela Mason, a director, former wife of the actor James Mason.

At a Press reception in London Mrs. Mason, Illingworth's largest shareholder, said that there must be some changes to the board, "but we may add rather than subtract."

She said she had not become involved in the group's affairs until she saw the latest report and accounts, which showed pre-tax profits down from £4.68m to £3.36m for the year ending March 31.

"And then I saw the following-up report, which will be out in December, which says that the disaster has been carried on into even more frightening figures."

Mrs. Mason has initiated appointment of Mr. Thomas Yeardy to the Board as an executive director responsible for international operations. Mr. Yeardy, 49, is a former managing director of Currier Company of North America and a former escort of Miss Diana Dors.

Mrs. Mason's remarks followed one of the most colourful and colourful annual meetings. The City has seen for some time. Ranged against Mrs. Mason were members of her family, who voted against re-election of Mrs. Mason and her son, Mr. Morgan Mason, to the Illingworth Board, and appointment of Peat Marwick in place of Price Waterhouse as the company's auditors.

After the meeting Mrs. Mason

said: "none of my family have spoken to each other. My father, Maurice Ostrer, and my uncle, Isidore Ostrer, were not speaking to each other for two years before they both died within three months of each other."

Mrs. Mason's cousin, Mr. Darryl Ostrer, led the attack at yesterday's meeting "as a gesture."

He questioned Mr. Morgan Mason's effectiveness as a Board member, claiming that he never turned up at Board meetings or annual general meetings. Mr. Mason was absent yesterday, and was represented by Miss Portland Mason, Mrs. Mason's daughter.

Mrs. Mason said that Mr. Mason was helping Mr. Ronald Reagan raise funds for his Presidential campaign in the U.S.

"It is my hope," she told shareholders, "that if Reagan becomes President of the U.S. we will have a considerable asset in being able to get very close to the White House."

She later told journalists: "If we are allowed to put our skill and crossbones over the top of the White House by dressing the President, it will be better advertising than the rabbit that climbed into President Carter's boot."

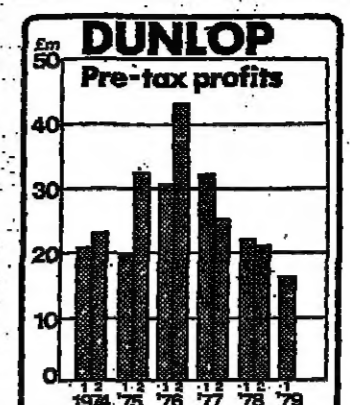
In spite of the attack by members of her family, which caused the re-election of Mr. Morgan Mason and the adoption of Peat Marwick to go to a poll, Mrs. Mason's shareholding of 46 per cent, over half of the shares that were eligible to vote, were sufficient to carry the day.

The stockbrokers Sebag and merchant bankers Hill Samuel have been appointed to handle other financial affairs of the group.

THE LEX COLUMN

A long, hard road for Dunlop

Index rose 3.1 to 473.0



Dunlop's progress towards restoring the fortunes of its European tyre business has been swamped in the first half of this year by its high financial gearing, a reduction in profits from the engineering side and the cost of the haulage strike. Interim operating profits are unchanged at £22m, but there is a fall to £16m from £22m pre-tax and at the attributable level, after an agonising tax charge, nothing is left.

But tyre trading does seem to be showing some improvement. The German business is making profits, and UK operating losses have been halved. After higher finance charges the European tyre division probably reduced its loss slightly to around £10m in the six months.

Debt is still rising, but stringent control of working capital should mean the cash outflow this year is nowhere near as bad as last year's £22m. Inevitably, though, the attempt to keep the increase in borrowings down to, say, £30m requires substantial pruning of capital spending.

Dunlop will do well to make £35m pre-tax in the full year (1978 in 1979), unless sterling falls sharply and flatters the overseas earnings. Next year there may be further loss elimination in tyres, more growth overseas and, if interest rates fall, a lower finance charge.

But achieving anything like a reasonable return on the European tyre business will be a long and arduous struggle and the shares, up 1p yesterday at 58p, are buoyed up chiefly by fear that Dunlop will continue to maintain its dividend. The yield is 13.7 per cent.

Vickers

After five years of uncertainty, Vickers is now going to possibly lengthy arbitration over compensation for its nationalised shipbuilding assets. And no progress has been made over its holding in British Aircraft Corporation. Meanwhile the trading position is not bright.

Thus although profits for the half year are up from £5.2m to £6.4m pre-tax, last year's figures include losses of £3m on offshore engineering, which has since been sold off. In addition, the latest figures include an extra £1m or so of interest on down-payments for the nationalised assets. But this has not been enough to offset a rising trend in finance costs, and a fall in profits from Australia and Roneo.

However the other activities

are doing better, and Vickers might have been heading for, say, £15m for the year (against £11.7m) but for the engineering strike. Its balance sheet is still in reasonable shape. But the long delay in compensation means having an increasingly damaging impact on the long term prospects for expanding businesses like Howson-Algraphy. Not surprisingly, the shares have been looking sickly in the last few weeks: at 151p, they yield 9.1 per cent.

Insurance brokers

Last year C. T. Bowring managed to steer relatively clear of the kind of insurance broking problems which knocked Alexander Howden squarely off its pedestal. But the interim figures from the two groups give a hint that the latter may have recovered some of its touch while Bowring now faces the full impact of higher interest rates on its instalment credit operation. Certainly the share price of Bowring dipped 5p to 118p on a fall in profits from £19.8m to £17.9m pre-tax coupled with a warning about the full year profits. In contrast Howden's share price picked up 6p to 83p on the news of only a 3 per cent drop to £11.1m at the half-way stage and a suggestion that the full year could show the start of a recovery.

Taken together, the strength of sterling and the negative impact of high money costs on its Bowmaker subsidiary probably cost Bowring over £3m in January-June. However, the group is looking to 1980 for, at some stage, a fall in interest rates and the first real benefits of the planned pooling arrangement with Marsh and McLennan. Assuming a 7p gross dividend for the year, the prospective yield is 5.9 per cent. Howden's performance is

battered by the impact of last year's badly timed rights issue which has boosted investment income. Earnings per share are down more seriously, by a matter of a fifth. Broking conditions have been poor, with premium rates under often intense pressure, but the group has taken the axe effectively to its swollen costs. A maintained dividend the yield is 11.2 per cent.

George Wimpey

This time last year Wimpey upset the stock market by announcing a surprisingly bad set of interim profit figures, and it has done the same again. Pre-tax profits of £8.4m are 42 per cent down on last year's depressed figure, and it seems likely that for the first time for nearly a decade Wimpey will report lower profits in calendar 1979 (£50m perhaps, against £87.2m).

The company warned in June that bad weather in the opening months of this year had taken a serious toll of its UK business. Its contracting open cost minus and building operations have all been running badly behind schedule as a result of the weather and to catch up Wimpey has been incurring heavy overtime payments.

But there is more to this dismal performance than just the poor weather. In common with other big contractors, Wimpey is experiencing sharp reduction in its Middle Eastern workload and potential big markets such as Iran are now virtually closed. Against this Wimpey has an exceptionally strong balance sheet, a growing property portfolio and expects "satisfactory results in 1980." Assuming a 4p gross dividend the shares at 78p, yield 4.1 per cent. Of course Wimpey has scope to pay out much more if it so wishes.

Dalgety/Spillers

It is hard to understand why Dalgety did not more carefully the announcement of its decision not to raise its offer for Spillers. The statement emerged last night only one day after Dalgety had sent out a circular to Spillers' shareholders which left open the question of an improvement in the terms. With the offer closing on Monday, small shareholders voting by post will scarcely get the latest news in time for it to have any effect on the outcome. The offer can, of course, be further extended; but Dalgety's chances are to slender any tactical impact at all.

GEC questions national talks in engineers' dispute

BY HAZEL DUFFY AND ALAN PIKE

THE Engineering Employers' Federation admitted yesterday that GEC, one of its largest member companies, is questioning the effectiveness of the national negotiating procedure in the engineering industry which has led to the present highly damaging dispute.

The federation confirmed yesterday that a memorandum from Sir Arnold Weinstock, GEC's chief executive, has circulated within his company "raising for discussion the issue of whether for that company national negotiations are the most appropriate means in the long term for settling basic rates and conditions of employment."

Mr. Anthony Frodham, the federation's director-general, spoke to Sir Arnold yesterday and said afterwards he had received assurances that GEC was "fully behind the EEF in its opposition to the present excessive and irresponsible

claim from the Confederation of Shipbuilding and Engineering Unions." GEC had, he said, no intention of leaving the federation.

Union leaders will see the fact that GEC is casting doubt on the future of national negotiations as a sign that employers are wearing dangerously thin.

Mr. Roy Sanderson, a national official of the Electrical and Plumbing Trades Union, said that Sir Arnold had told union officials at a recent meeting he was considering early withdrawal from the EEF after the dispute.

Mr. Frodham said yesterday he recognised that for many members of the EEF the "rigid and totally unconstructive negotiation approach of the Confederation" must call into question its quality as a negotiating agency and harm the value of continuing national negotiations.

Most employers in the EEF continue to back the firm stand being taken by the employers' organisation, although for most of them this is being done at considerable expense to their production and future order books.

In recognition of the harm that the dispute is causing the industry, and the likely strain that this will place on some companies' finances, the EEF yesterday had a meeting with more than 100 representatives from the clearing banks, institutions, stockbrokers and jobbers.

The reasons for the dispute, and the two-tier bargaining system within the industry, were explained to the financial representatives.

Many of the bankers and brokers present apparently applauded the solidarity that the employers are showing in the dispute.

General Foods buys HAG

BY DAVID LASCELLES IN NEW YORK

GENERAL FOODS, the giant U.S. producer of packaged foods including Maxwell House, Post Cereals and Birds Custard, announced yesterday that it had bought more than 95 per cent of HAG, the leading West German coffee producer for \$100m (£50.26m).

At the same time, HAG said it had sold the U.S. end of its business, which General Foods did not want, to Cadbury Schweppes, the UK confectionery and beverages group.

Under the agreement, HAG will supply decaffeinated coffee to Cadbury Schweppes for distribution in the U.S. market, as well as supplying the company with technical knowledge for its UK production. HAG's exports to the U.S.

last year were worth less than \$50,000.

General Foods said it had made the acquisition as part of its strategy to build up its position in West Germany and Europe, and that it expected the investment to provide a good long-term financial return.

But General Foods already has a West German subsidiary, General Foods GmbH, with annual sales of \$100m. It appears that its interest in HAG centred mainly on the fact that it has a leading position in decaffeinated coffee, a market which General Foods has yet to penetrate to any great extent in Europe. In the U.S. General Foods has a leading brand, Sanka, is one of the market leaders.

HAG, based in Bremen, is a privately-owned company with reported sales in West Germany last year of DM 815m (£211.55m) and 1,700 employees. It has had business dealings with General Foods for several decades.

Cadbury Schweppes' acquisition of the U.S. rights for HAG coffee is in line with its present policy, in common with other UK food manufacturers, of expansion in the massive North American food and drinks markets.

Decaffeinated coffee is one of the growth areas of the U.S. consumer coffee market mainly due to more widespread concern about the health aspects of caffeine in coffee.

Workforce rejects Tube agreement

BY NICK GARNETT, LABOUR STAFF

LOCAL DELEGATES of the National Union of Railwaysmen, representing 15,000 workers on the London Underground, have rejected an agreement on one-man operations signed earlier this month, between the union's national officers and London Transport.

The union's executive said yesterday that the agreement, allowing one-man operations on the Circle Line and the Hammersmith and City section of the Metropolitan Line, still stood. It would have to try to persuade its Tube members that the deal was the best that could be achieved.

The union said it would take into full account anxieties expressed by the local delegates about working rates, during negotiations on these with management.

The decision by the union's district council for London Transport appears to jeopardise plans to begin one-man operations early next year.

London Transport has been pressing for such a one-man operation agreement for more than a decade and would like to see one-man operations throughout the Underground. This, it says, will lead to a significant increase in productivity and help reduce financial losses.

Branch delegates have told their executive that the workforce wants more money than is provided for in the agreement, and is worried about the time available for rest periods on lines such as the Circle, which have a high concentration of traffic.

Under the agreement, all one-man operators would receive £30.42 for 40 hours, and a 7.1 per cent bonus. Delegates said they wanted a guarantee of at least £100 basic a week.

A union spokesman said the agreement could provide no more money, but problems on working conditions would be reviewed after six months.

Weather

UK TODAY
MOST places will be dry with sunny periods.
London, Midlands, S. Wales, Cent. S., S.W. E., and Cent. N. England, S. Wales
Fog patches at first. Dry, with sunny periods. Max. 17C (63F).
Rest of England, Channel Is., N. Wales, N. Ireland.
Isle of Man, Scotland (except N.W.)
Dry, sunny periods. Max. 17C (63F).
N.W. Scotland, Orkney, Shetland
Cloudy at times, with showers. Max. 14C (57F).
Outlook: Dry, sunny periods. Some light rain in N. Scotland.

WORLDWIDE			
	Y'day	Today	Y'day
Ajaccio	F 21	20	19
Algiers	F 21	20	19
Amman	F 21	20	19
Athens	F 21	20	19
Bahrain	F 21	20	19
Barcelona	F 21	20	19
Belfast	F 21	20	19
Bombay	F 21	20	19
Buenos Aires	F 21	20	19
Calcutta	F 21	20	19
Canton	F 21	20	19
Cebu	F 21	20	19
Colon	F 21	20	19
Hankow	F 21	20	19
Harbin	F 21	20	19
Hong Kong	F 21	20	19
Kobe	F 21	20	19
London	F 21	20	19
Lyons	F 21	20	19
Manila	F 21	20	19
Medan	F 21	20	19
Metz	F 21	20	19
Moscow	F 21	20	19
Mumbai	F 21	20	19
Nairobi	F 21	20	19
Paris	F 21	20	19
Peking	F 21	20	19
Rangoon	F 21	20	19
Reykjavik	F 21	20	19
Rome	F 21	20	19
Singapore	F 21	20	19
Sourabaya	F 21	20	19
Taipei	F 21	20	19
Tokyo	F 21	20	19
Toronto	F 21	20	19
Yokohama	F 21	20	19

Thorn bid for Locatel blocked

BY JOHN LLOYD

THORN ELECTRICAL Industries' £26m bid for control of the French television rental company, Locatel, is to be investigated by the Monopolies Commission of the French Economy Ministry.

Thorn reached agreement with Locatel's two major shareholders, Eura France and Sofipa, for the purchase of a 50.1 per cent stake—267,634 shares—in the company in June. It paid FF450 per share, when

the price quoted on the Paris stock exchange was FF265.50.

The Paris Stock Exchanges Association said last night that trading in Locatel's shares, suspended since June 11 when the bid was announced, would resume today.

Since Thorn's bid, it became known that the French Government did not favour a foreign company controlling 50 per cent of the French television rental

market. Locatel, the only French-owned rental company, has some 90 shops, and nearly 200,000 television subscribers.

There have been reported attempts to find a French buyer but it appears that none is prepared to outbid the Thorn price.

Locatel's pre-tax profits in 1978 were £3.4m (FF30.7m), and its assets in February of this year stood at £9.2m (FF81.5m).

Thomson airline Continued from Page 1

This plan, if approved by the Civil Aviation Authority, would revolutionise air travel from such provincial centres as Glasgow, Edinburgh, Aberdeen, Newcastle, Tees-side, Leeds, Bradford, Manchester East Midlands, Birmingham, Norwich, Bournemouth, Exeter, Bristol, Cardiff and Liverpool, as well as from Luton and Gatwick near London, to most popular holiday destinations in Europe.

It would enable passengers for the first time to fly direct between those points and Europe because many of the routes are not now served by scheduled airlines. The proposed rates

would undercut existing fares on the remaining routes.

Britannia says that it could offer, for example, a single trip between Glasgow and Palma (Majorca) direct for £40, or £80 return, against the present scheduled fares, via Heathrow, of £138 single and £199 return.

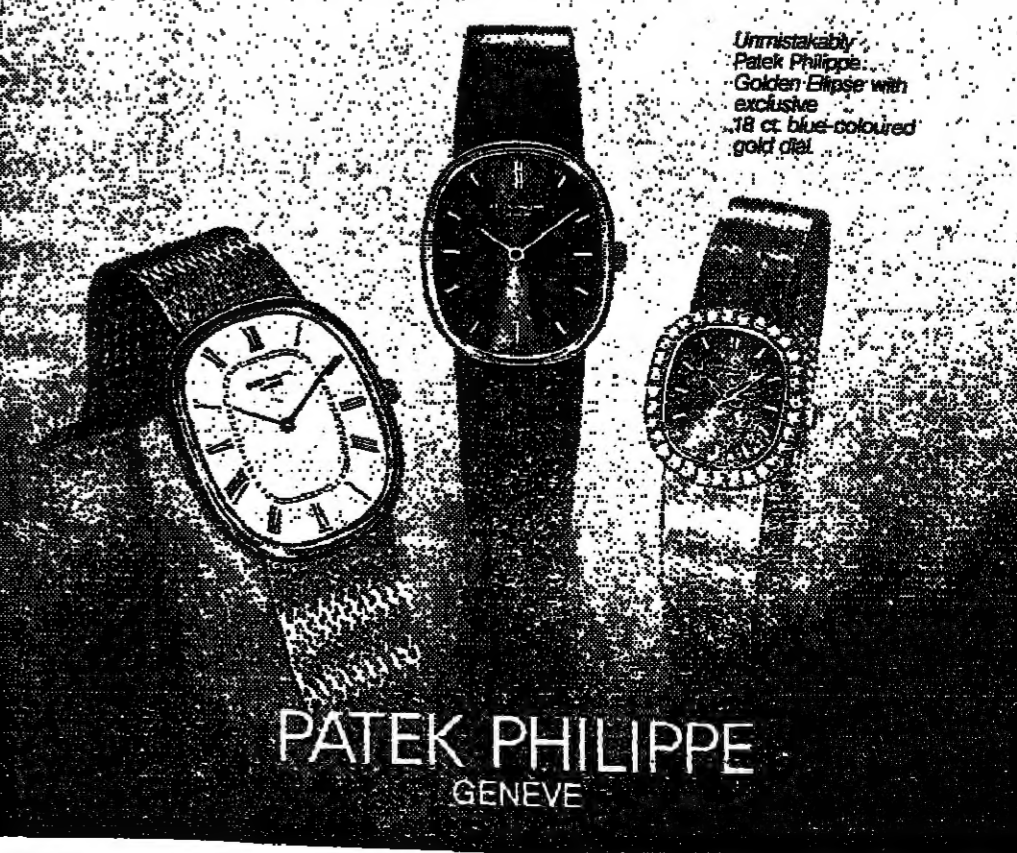
From London to Malaga, where 36 different scheduled fares now prevail according to time of year, Britannia says it could offer £36 single, or £70 return, against the present norms scheduled £125.50 single. From London to Heraklion (Crete), it could offer £35 single, against £192.

Mr. Derek Davison, Britannia main director, says that the plan, if approved, will help to widen the choice of air travel on holiday routes, and bring air fares down to a realistic level.

The airline's proposals are likely to be considered by the Civil Aviation Authority as part of the forthcoming European routes battle which opens in London on October 24. At that time, other applications for cheap air services between Gatwick and Western Europe by British Caledonian, Laker Airways, British Island Airways and Dan-Air services will also be heard.

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